SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

or

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 000-24647

Dynavax Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware	**33-0728374**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

2929 Seventh Street, Suite 100
Berkeley, CA 94710-2753
(510) 848-5100
(Address, including Zip Code, and telephone number, including area code, of the registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer R Non-accelerated filer £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes £ No R

As of April 30, 2006, the registrant had outstanding 30,584,103 shares of common stock.

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DYNAVAX TECHNOLOGIES CORPORATION

FORWARD-LOOKING STATEMENTS

This Quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are subject to a number of risks and uncertainties. All statements that are not historical facts are forward-looking statements, including statements about our business strategy, our future research and development, our preclinical and clinical product development efforts, our ability to commercialize our product candidates, the timing of the introduction of our products, the effect of GAAP accounting pronouncements, uncertainty regarding our future operating results and our profitability, anticipated sources of funds and all plans, objectives, expectations and intentions. These statements appear in a number of places and can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "future," "intend," or "certain" or the negative of these terms or other variations or comparable terminology, or by discussions of strategy.

Actual results may vary materially from those in such forward-looking statements as a result of various factors that are identified in "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this document. No assurance can be given that the risk factors described in this Quarterly Report on Form 10-Q are all of the factors that could cause actual results to vary materially from the forward-looking statements. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. We assume no obligation to update any forward-looking statements.

This Quarterly Report on Form 10-Q includes trademarks and registered trademarks of Dynavax Technologies Corporation. Products or service names of other companies mentioned in this Quarterly Report on Form 10-Q may be trademarks or registered trademarks of their respective owners.

PART I. FINANCIAL STATEMENTS

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dynavax Technologies Corporation
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)

	March 31, 2006 (unaudited)	December 31, 2005 (Note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 16,842	$ 8,725
Marketable securities	50,649	66,385
Restricted cash	408	408
Accounts receivable	421	689
Prepaid expenses and other current assets	2,704	1,277
Total current assets	71,024	77,484
Property and equipment, net	2,035	2,197
Other assets	412	412
Total assets	$ 73,471	$ 80,093
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 896	$ 952
Accrued liabilities	4,709	3,841
Deferred revenues	750	750
Total current liabilities	6,355	5,543
Other long-term liabilities	170	187
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.001 par value; 5,000 shares authorized and no shares issued and outstanding at March 31, 2006 and December 31, 2005	—	—
Common stock: $0.001 par value; 100,000 shares authorized at March 31, 2006 and December 31, 2005; 30,495 and 30,482 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	30	30
Additional paid-in capital	191,099	192,840
Deferred stock compensation	—	(2,467)
Accumulated other comprehensive loss:		
Unrealized loss on marketable securities available-for-sale	(115)	(144)
Cumulative translation adjustment	(5)	(5)
Accumulated other comprehensive loss	(120)	(149)
Accumulated deficit	(124,063)	(115,891)
Total stockholders' equity	66,946	74,363
Total liabilities and stockholders' equity	$ 73,471	$ 80,093

See accompanying notes.

Dynavax Technologies Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Revenues:		
Collaboration revenue	$ —	$ 12,199
Grant revenue	288	499
Total revenues	288	12,698
Operating expenses:		
Research and development	6,592	5,655
General and administrative	2,603	2,340
Total operating expenses	9,195	7,995
(Loss) income from operations	(8,907)	4,703
Interest income, net	735	367
Net (loss) income	$ (8,172)	$ 5,070
Basic net (loss) income per share	$ (0.27)	$ 0.21
Shares used to compute basic net (loss) income per share	30,487	24,722
Diluted net (loss) income per share	$ (0.27)	$ 0.20
Shares used to compute diluted net (loss) income per share	30,487	25,104

See accompanying notes.

Dynavax Technologies Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Operating activities		
Net (loss) income	$ (8,172)	$ 5,070
Adjustments to reconcile net loss (income) to net cash used in operating activities:		
Depreciation and amortization	184	184
Gain on disposal of property and equipment	(50)	—
Accretion and amortization on marketable securities	109	318
Realized loss on investments	23	—
Interest accrued on notes receivable from stockholders	—	(7)
Amortization of stock-based compensation expense	666	317
Changes in operating assets and liabilities:		
Accounts receivable	271	(5,826)
Prepaid expenses and other current assets	(1,427)	(721)
Other assets	—	402
Accounts payable	(6)	(662)
Accrued liabilities	868	(131)
Deferred revenues	—	(7,000)
Net cash used in operating activities	(7,534)	(8,056)
Investing activities		
Purchases of marketable securities	(7,653)	(15,691)
Maturities and sales of marketable securities	23,286	18,545
Purchases of property and equipment	(39)	(81)
Net cash provided by investing activities	15,594	2,773
Financing activities		
Proceeds from employee stock purchase plan	57	66
Repayment of notes receivable from stockholders	—	32
Net cash provided by financing activities	57	98
Effect of exchange rate on cash and cash equivalents	—	(4)
Net increase (decrease) in cash and cash equivalents	8,117	(5,189)
Cash and cash equivalents at beginning of period	8,725	16,590
Cash and cash equivalents at end of period	$ 16,842	$ 11,401
Supplemental disclosure of non-cash investing and financing activities		
Net change in unrealized loss on marketable securities	$ 29	$ (59)
Change in cumulative translation adjustment	$ —	$ (4)
Exercise of stock options	$ —	$ 200
Repurchase of common stock for exercise of stock options	$ —	$ (200)

See accompanying notes.

Dynavax Technologies Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

Dynavax Technologies Corporation ("Dynavax" or the "Company") is a biopharmaceutical company that discovers, develops, and intends to commercialize innovative TLR-9 agonist-based products to treat and prevent allergies, infectious diseases, and chronic inflammatory diseases. The Company was originally incorporated in California on August 29, 1996 and reincorporated in Delaware on March 26, 2001. The Company completed its initial public offering in February 2004.

Subsidiaries

In October 2003, the Company formed Dynavax Asia Pte. Ltd. (Dynavax Asia), a 100% owned subsidiary in Singapore which focuses on the Company's clinical and preclinical hepatitis B programs. In December 2004, the Company formed Ryden Therapeutics KK (Ryden), a 100% owned Japan subsidiary, to explore development and commercialization options for ISS-based immunotherapies for cedar tree allergy in Japan. There was minimal activity during the first quarter of 2006 associated with these foreign entities.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. In our opinion, these unaudited Condensed Consolidated Financial Statements include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary to fairly state our financial position and the results of our operations and cash flows. Interim-period results are not necessarily indicative of results of operations or cash flows for a full-year period. The condensed consolidated balance sheet at December 31, 2005 has been derived from audited financial statements at that date, but does not include all disclosures required by U.S. generally accepted accounting principles for complete financial statements.

These unaudited Condensed Consolidated Financial Statements and the notes accompanying them should be read in conjunction with our Annual Report on Form 10-K as of and for the year ended December 31, 2005 as filed with the Securities and Exchange Commission (SEC) on March 16, 2006.

The unaudited Condensed Consolidated Financial Statements include the accounts of Dynavax, Dynavax Asia and Ryden. All significant intercompany accounts and transactions have been eliminated. The Company operates in one business segment, which is the discovery and development of biopharmaceutical products.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the unaudited Condensed Consolidated Financial Statements and accompanying notes. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In April 2006, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FIN 46(R)-6, "Determining the Variability to be Considered When Applying FASB Interpretation No. 46(R)." The FASB Staff Position addresses the approach to determine the variability of assets when applying FIN 46(R), "Consolidation of Variable Interest Entities." The variability determination may affect (a) the determination as to whether an entity is a variable interest entity (VIE), (b) the determination of which interests are variable interests in an entity, (c) if necessary, the calculation of expected losses and residual returns of a VIE entity, and (d) the determination of which party is the primary beneficiary of the VIE. Thus, determining the variability to be considered is necessary to apply the provisions of FIN 46(R). FIN 46(R)-6 should be applied prospectively to all entities (including newly created entities) with which an enterprise first becomes involved and to all entities previously required to be analyzed under FIN 46(R) when a reconsideration event has occurred beginning the first day of the first reporting period beginning after June 15,

2006. Early application is permitted for periods for which financial statements have not yet been issued. The Company will evaluate the impact of adopting this pronouncement in the second quarter of 2006 in connection with the accounting for Symphony Dynamo, Inc. discussed in Note 7.

Critical Accounting Policies

The Company believes that there have been no significant changes in its critical accounting policies during the three months ended March 31, 2006 as compared with those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2005, except as discussed below with regards to the Company's adoption of Statement of Financial Accounting Standards 123R, "Share-Based Payment" (FAS 123R) effective January 1, 2006.

In December 2004, the FASB issued FAS 123R — a revision of FASB Statement No. 123. This revised standard addresses the accounting for share-based payment transactions in which a company receives services in exchange for equity instruments of the company. Under the new standard, companies are no longer able to account for share-based compensation transactions using the intrinsic-value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Instead, companies are required to account for such transactions using a fair-value method and recognize the expense in the statement of operations. The impact of adoption is more fully described in Note 6.

3. Commitments and Contingencies

The Company leases its facility under an operating lease that expires in September 2014. The lease can be terminated at no cost to the Company in September 2009 but otherwise extends automatically until September 2014. Our facility lease agreement provides for periods of escalating rent. The total cash payments over the life of the lease were divided by the total number of months in the lease period and the average rent is charged to expense each month during the lease period. In addition, our lease agreement provides a tenant improvement allowance of $0.4 million, which is considered a lease incentive and accordingly, has been included in accrued liabilities and other long-term liabilities in the Consolidated Balance Sheet as of March 31, 2006 and December 31, 2005. The lease incentive is amortized as an offset to rent expense over the estimated initial lease term, through September 2009. Total net rent expense related to this operating lease for the three months ended March 31, 2006 and 2005, was $0.4 million and $0.3 million, respectively. Deferred rent was $0.2 million as of March 31, 2006.

We have entered into a sublease agreement for a certain portion of the leased space with scheduled payments to the Company of $0.4 million in 2006 and 2007. This sublease agreement includes an option for early termination in August 2006 but otherwise extends automatically until August 2007.

Future minimum payments under the non-cancelable portion of our operating lease at March 31, 2006, excluding payments from the sublease agreement, are as follows (in thousands):

Year ending December 31,	
2006	$ 1,282
2007	1,755
2008	1,808
2009	1,231
	$ 6,076

During the fourth quarter of 2004, we established a letter of credit with Silicon Valley Bank as security for our property lease in the amount of $0.4 million. The letter of credit remained outstanding as of March 31, 2006 and is collateralized by a certificate of deposit which has been included in restricted cash in the condensed consolidated balance sheets as of March 31, 2006 and December 31, 2005. Under the terms of the lease agreement, if the total amount of our cash, cash equivalents and marketable securities falls below $20.0 million for a period of more than 30 consecutive days during the lease term, the amount of the required security deposit will increase to $1.1 million, until such time as our projected cash and cash equivalents will exceed $20.0 million for the remainder of the lease term, or until our actual cash and cash equivalents remains above $20.0 million for a period of 12 consecutive months.

We rely on research institutions and contract research organizations that conduct and manage clinical trials on our behalf. As of March 31, 2006, under the terms of our agreements with contract research organizations (CRO), clinical investigators and clinical manufacturers, we are obligated to make future payments as services are provided of approximately $28 million through 2008. These agreements are terminable by us upon written notice. We are generally only liable for actual effort expended by the organizations at any point in time during the contract, subject to certain termination fees and penalties.

4. Collaborative Research, Development, and License Agreements

UCB Farchim, S.A.

In March 2005, the Company agreed to end its collaboration with UCB Farchim, S.A. (UCB) and regained full rights to its allergy program. During the second quarter of 2005, the Company received cash payments in satisfaction of outstanding receivables due from UCB and obligations owed by UCB under the collaboration. Collaboration revenue for the three months ended March 31, 2005 included accelerated recognition of $7.0 million in deferred revenue as the Company had no ongoing obligations under the collaboration. Collaboration revenue from UCB amounted to $12.2 million during the three months ended March 31, 2005.

University of California

The Company entered into a series of exclusive license agreements with the Regents of the University of California (UC) in March 1997 and October 1998. These agreements provide the Company with certain technology and related patent rights and materials. Under the terms of the agreements, the Company pays annual license or maintenance fees and will be required to pay milestones and royalties on net sales of products originating from the licensed technologies. The agreements will expire on either the expiration date of the last-to-expire patent licensed under the agreements or the date upon which the last patent application licensed under the agreements is abandoned.

In connection with these license agreements, the Company incurred license fees of $20,000 in the three months ended March 31, 2006 and 2005 which was recorded as research and development expense, and the Company incurred patent expenses of $0.1 million and $0.2 million in the three months ended March 31, 2006 and 2005, respectively, which was recorded as general and administrative expense. During the quarter ended March 31, 2005, in conjunction with the termination of the UCB collaboration, the Company incurred $0.1 million in research and development expense from the accelerated amortization of a prepaid technology licenses fee.

BioSeek, Inc.

In June 2003, the Company entered into a development collaboration agreement with BioSeek, Inc. to analyze and characterize the activity of certain compounds using BioSeek's technology with the objective of advancing the development of such compounds. Under this agreement, the Company will make various payments to BioSeek based on the success and timing of the Company's signing of a third party partnering agreement where the Company grants to the third party, directly or indirectly, any right or option to market, sell, distribute or otherwise commercialize a thiazolopyrimidine (TZP) product in any geographic territory. During the three months ended March 31, 2005 the Company paid BioSeek $0.3 million associated with the achievement of a development milestone. No other events occurred that would give rise to payment as of March 31, 2006.

Other Agreements

In 2003, the Company was awarded government grants totaling $8.3 million to be received over as long as three and one-half years, assuming annual review criteria are met, to fund research and development of certain biodefense programs. Revenue associated with these grants is recognized as the related expenses are incurred. For the three months ended March 31, 2006 and 2005, the Company recognized revenue of approximately $0.3 million and $0.5 million, respectively, associated with government grants for biodefense programs.

In the fourth quarter of 2004, the Company was awarded $0.5 million from the Alliance for Lupus Research to be received during 2005 and 2006 to fund research and development of new treatment approaches for lupus. For the three months ended March 31, 2006 and 2005, the Company recognized revenue of approximately $30,000, respectively, associated with the lupus grant.

5. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period and potentially dilutive common shares using the treasury-stock method. For purposes of this calculation, common stock subject to repurchase and incremental common shares issuable upon the exercise of stock options and warrants are considered to be potentially dilutive common shares and are only included in the calculation of diluted net income (loss) per share attributable to common stockholders when their effect is dilutive.

The following is a reconciliation of the numerator and denominator used in the basic and diluted net income (loss) per share computations (in thousands):

	Three Months Ended March 31,	
	2006	2005
Numerator:		
Net (loss) income	(8,172)	5,070
Denominator:		
Weighted-average common shares outstanding used for basic net income (loss) per share	30,487	24,722
Effect of dilutive stock options	—	382
Weighted-average common shares outstanding used for diluted net income (loss) per share	30,487	25,104

6. Stockholders' Equity

On January 1, 2006, the Company adopted the fair value recognition provisions of FAS 123R using the modified-prospective transition method. Under this transition method, compensation cost recognized in the first quarter of 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. Results for prior periods have not been restated.

As a result of the adoption of FAS 123R, the Company reduced its deferred stock compensation balance and additional paid in capital previously associated with APB 25 accounting by $2.5 million as of January 1, 2006.

Under the Company's stock option plans, option awards generally vest over a 4-year period of continuous service and have a 10-year contractual term. The fair value of each option is amortized on a straight-line basis over the option's vesting period. The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model and the following weighted-average assumptions for the quarter ended March 31, 2006:

	Three Months Ended March 31, 2006	
	Employee Stock Options	Employee Stock Purchase Plan
Weighted-average fair value	$4.15	$2.66
Risk-free interest rate	4.6%	4.7%
Expected life (in years)	5.7	1.2
Volatility	0.8	0.7
Expected dividends	—	—

Expected volatility is based on historical volatility of the Company's stock and comparable peer data. The expected life of options granted is estimated based on historical option exercise and employee termination data. Executive level employees, who hold a majority of the options outstanding, and non-executive level employees were each found to have similar historical option exercise and termination behavior and thus were grouped and considered separately for valuation purposes. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FAS 123 to options granted under the Company's stock option plans in all periods presented (in thousands, except per share amounts).

	Three Months Ended March 31, 2005
Net income, as reported	$ 5,070
Add: Stock-based employee compensation expense included in net income	332
Less: Stock-based employee compensation expense determined under the fair value based method	(702)
Net income, pro forma	$ 4,700

	Three Months Ended March 31, 2005
Net income per share:	
Basic net income, as reported	$ 0.21
Diluted net income, as reported	$ 0.20
Basic net income, pro forma	$ 0.19
Diluted net income, pro forma	$ 0.19

For purposes of this pro forma disclosure, the fair value of each option is amortized on a straight-line basis over the option's vesting period. The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model and the following weighted-average assumptions for the quarter ended March 31, 2005:

	Three Months Ended March 31, 2005	
	Employee Stock Options	Employee Stock Purchase Plan
Weighted-average fair value	$4.17	$3.68
Risk-free interest rate	3.5% to 3.6%	3.2%
Expected life (in years)	4	1.7
Volatility	0.7	0.7
Expected dividends	—	—

The Company recognized the following amounts of stock-based compensation expense (in thousands):

	Three Months Ended March 31,	
	2006	2005
Employee and director stock-based compensation expense	$ 657	$ 332
Non-employee stock-based compensation expense	9	(15)
Total	$ 666	$ 317

As of March 31, 2006, the total unrecognized compensation cost related to non-vested options granted amounted to $6.9 million, which is expected to be recognized over the options' remaining vesting period which could be as long as 4 years, but also results in a weighted-average vesting period of 1.7 years. No income tax benefits were realized by the Company in the three months ended March 31, 2006 or March 31, 2005, as the Company reported an operating loss.

Activity under the our stock option plans is as follows:

	Options Available for Grant	Number of Options Outstanding	Weighted-Average Price Per Share
Balance at December 31, 2005	2,831,668	2,598,797	$4.43
Options authorized	400,000	—	—
Options granted	(713,350)	713,350	$5.97
Options exercised	—	(1,714)	$1.50
Options cancelled:			
Options forfeited (unvested)	60,036	(60,036)	$6.05
Options expired (vested)	46,043	(46,043)	$2.13
Balance at March 31, 2006	2,624,397	3,204,354	$4.78

Total options exercised during the three months ended March 31, 2006 and March 31, 2005 was 1,714 and 133,498, respectively. The total intrinsic value of the options exercised during the three months ended March 31, 2006 and March 31, 2005 was approximately $8,000 and $0.8 million, respectively.

The following table summarizes outstanding options that are vested and expected to vest, and options exercisable under our stock option plans as of March 31, 2006:

	Number of Shares	Weighted-Average Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding options (vested and expected to vest)	2,862,451	$ 4.67	8	$4,860,685
Options exercisable	1,196,823	$ 3.78	7	$3,118,574

Employee Stock Purchase Plan

As of March 31, 2006, 496,000 shares were reserved and approved for issuance under the Purchase Plan, subject to adjustment for a stock split, or any future stock dividend or other similar change in the Company's common stock or capital structure. During the three months ended March 31, 2006, employees acquired 11,352 shares of our common stock under the Purchase Plan. At March 31, 2006, 449,956 shares of our common stock remained available for future purchases.

7. Subsequent Events

Symphony Dynamo, Inc.

On April 18, 2006, Dynavax entered an agreement with Symphony Capital Partners, LP, a private equity fund, and its co-investors. Under the terms of the agreement, Symphony Capital has established Symphony Dynamo, Inc., which will be capitalized initially with $20 million and an additional $30 million within one year following closing to advance Dynavax's ISS-based cancer, hepatitis B and hepatitis C therapeutic programs through clinical development. The intellectual property for the programs under development in these therapeutic areas was licensed exclusively under the agreement.

Dynavax will issue to Symphony Dynamo investors a five-year warrant to purchase 2,000,000 shares of Dynavax common stock at $7.32 per share, representing a 25% premium over the recent 60-day trading range average of $5.86 per share. The warrant exercise price is subject to reduction to $5.86 per share under certain circumstances. In consideration for the warrant, Dynavax retains the exclusive right, but not the obligation, through a purchase option to acquire certain or all of the programs at specified points in the future during the five-year term at specified prices. Dynavax has an exclusive option, exercisable at its sole discretion, to acquire all of the programs through the purchase of all of the equity in Symphony Dynamo. The purchase option exercise price is payable in cash or a combination of cash and shares of Dynavax common stock, at Dynavax's sole discretion. Dynavax also has an option to purchase either the hepatitis B or hepatitis C program during the first year of the agreement. If the Company does not exercise its exclusive right to purchase some or all of the programs licensed under the agreement, the intellectual property rights to the programs at the end of the development period will remain with Symphony Dynamo.

The implementation of the development plans will be led by Dynavax with support from RRD International, LLC, Symphony Capital's clinical development partner. To compensate Symphony Capital for structuring the transaction, the Company paid a structuring fee of $2.0 million.

Rhein Biotech GmbH

On April 21, 2006, the Company acquired Rhein Biotech GmbH (Rhein) in a cash transaction of approximately $12.4 million, excluding certain employee and transaction related costs and expenses. Rhein Biotech GmbH was an affiliated entity of Berna Biotech AG, acquired in 2006 by Crucell NV. The transaction allows the Company to gain ownership of a Good Manufacturing Practice (GMP)-certified vaccine manufacturing facility in the European Union, control over the production and supply of hepatitis B surface antigen and potentially other antigens to support clinical and commercial programs, management and personnel with expertise in biopharmaceutical product development and production, and a complementary pipeline of vaccine and antiviral products.

Under the terms of the transaction, the Company purchased all of the outstanding capital stock of Rhein. The assets of Rhein include manufacturing facilities, research and development stage products (including SUPERVAX, a two-dose hepatitis B vaccine, Theravax, a preclinical-stage therapeutic vaccine for treatment of chronic hepatitis B, and a preclinical-stage vaccine to prevent cytomegalovirus infection), an industrial R&D services business and personnel. In addition, upon closing of the transaction,

Dynavax's license and supply agreement with Berna for the supply of hepatitis B surface antigen used in the Company's HEPLISAV™ vaccine was terminated, eliminating Berna's option to commercialize HEPLISAV.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements under federal securities laws. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Our actual results could differ materially from those indicated by forward-looking statements as a result of various factors, including but not limited to those set forth under this Item, as well as those discussed elsewhere in this document and those that may be identified from time to time in our reports and registration statements filed with the Securities and Exchange Commission.

This discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and related Notes included in Item 1 of this quarterly report and the Consolidated Financial Statements and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 16, 2006.

Overview

Dynavax Technologies Corporation (the "Company") discovers, develops and intends to commercialize innovative TLR-9 agonist-based products to treat and prevent allergies, infectious diseases and chronic inflammatory diseases using versatile, proprietary approaches that alter immune system responses in highly specific ways. Our clinical development programs are based on immunostimulatory sequences, or ISS, which are short DNA sequences designed to enhance the ability of the immune system to fight disease and control chronic inflammation. The most advanced clinical programs in Dynavax's ISS-based pipeline are a ragweed allergy immunotherapeutic and a hepatitis B vaccine.

We have developed a novel injectable product candidate to treat ragweed allergy that we call TOLAMBA™ (formerly, Amb a 1 ISS Conjugate or AIC). In early 2006, we announced results from a two-year Phase II/III clinical trial of TOLAMBA showing that patients treated with a single six-week course of TOLAMBA prior to the 2004 season experienced a statistically significant reduction in total nasal symptom scores compared to placebo-treated patients in the second year of the trial. The treatment effect was achieved despite subjects being permitted to take decongestants and antihistamines as needed. The safety profile of TOLAMBA was favorable. Systemic side effects were indistinguishable from placebo and local injection site tenderness was minor and transient.

The Company discussed the TOLAMBA program with the U.S. Food & Drug Administration (FDA) in the first quarter 2006. Following that discussion, the Company decided to conduct an additional major safety and efficacy trial with the goal of determining whether a more intensive, single-course dosing regimen can elicit a greater treatment effect than prior regimens. In April 2006, we initiated the Dynavax Allergic Rhinitis TOLAMBA Trial, or DARTT. DARTT is a two-year, multi-center, well-controlled study in up to 700 ragweed allergic subjects, aged 18 to 55 years, randomized into three arms: prior dosing regimen, high-intensity dosing regimen, and placebo. The primary endpoint is reduction in total nasal symptom scores (TNSS) in the high-intensity dosing arm compared to placebo after the second (2007) ragweed season. The DARTT study broadens the TOLAMBA clinical program and is designed to complement data derived from the Company's recently completed Phase II/III clinical trial and its ongoing trial in ragweed allergic children initiated in 2005. Dynavax anticipates that in early 2007, this expanded database, which could potentially include approximately 1,000 treated subjects, could provide a foundation for determining the potential timeline to registration.

We have developed a product candidate for hepatitis B prophylaxis called HEPLISAV™. A Phase II/III trial in subjects who are more difficult to immunize with conventional vaccines conducted in Singapore has been completed. Results from the final analysis of this trial showed statistically significant superiority in protective antibody response and robustness of protective effect after three vaccinations when compared to GlaxoSmithKline's Engerix-B®. We intend to focus our development activities and resources on maximizing the potential of HEPLISAV's demonstrated superiority over conventional hepatitis B vaccine in both the younger and older adult populations, and its potential in the worldwide dialysis market.

The pivotal Phase III trial in the older, more difficult to immunize population in Asia and the U.S.-based Phase I trial in patients with end-stage renal failure (pre-hemodialysis) are ongoing. We are in the process of planning additional trials designed to support registration activities. In the second half of 2006, we plan to initiate large-scale, Phase III safety and efficacy trials for HEPLISAV in the younger adult population (under 40 years of age) in the U.S., Europe and Canada. Also in the second half of 2006, we anticipate initiating a Phase II trial in the dialysis population that would be conducted in Europe and/or Canada.

In April 2006, we announced the acquisition of Rhein Biotech GmbH (Rhein). As a result, we acquired a hepatitis B vaccine product called SUPERVAX that has been tested in more than 600 subjects and has demonstrated safety and 99% seroprotection compared to conventional vaccine when administered on a convenient, 0, 1-month two-dose schedule. We intend to continue development of SUPERVAX as a two-dose vaccine for commercialization in developing countries.

We have an inhaled therapeutic product candidate for treatment of asthma, which has completed a Phase IIa trial in Canada. We are performing additional preclinical work to optimize the route of administration and regimen for the asthma clinical program and have postponed additional clinical trials in asthma.

We have preclinical programs focused on other allergies, chronic inflammation, antiviral therapies and improved, next-generation vaccines using ISS and other technologies.

In April 2006, we announced an agreement with Symphony Capital Partners, LP and its co-investors to provide $50 million of committed capital to advance our ISS-based cancer, hepatitis B and hepatitis C therapeutic programs through clinical development.

In cancer, we believe that the potent and multifaceted biological activities of ISS offer a number of distinct approaches to cancer therapy in a wide range of tumor types. We are evaluating the potential of ISS to enhance the effect of monoclonal antibodies in cancer therapies. We have conducted an open-label Phase I, dose-escalation trial of ISS in combination with Rituxan® (rituximab) in 20 patients with Non-Hodgkin's lymphoma (NHL). Results of this study showed dose dependent pharmacological activity without significant toxicity. A follow-up Phase II trial of ISS with Rituxan in NHL is currently underway in 30 patients with histologically confirmed CD20+, B-cell follicular NHL who have received at least one previous treatment regimen for lymphoma. The primary objective is to assess the proportion of patients who are alive and without disease progression one year after initiating Rituxan therapy. Mechanistic studies will be performed to characterize the enhancement of antitumor activity by ISS. We anticipate that our cancer product candidate will advance into clinical trials in solid tumors in 2006, and our hepatitis B and hepatitis C therapeutic product candidates could enter the clinic in 2007. We believe that the financing arrangement with Symphony Capital will enable us to continue to focus critical resources on advancing our lead programs in ragweed allergy and hepatitis B vaccines while providing additional minimally dilutive funding for investment in these early-stage, second-generation programs.

For the three months ended March 31, 2006, our net loss attributable to common stockholders was $8.2 million, compared to net income of $5.1 million for the three months ended March 31, 2005. Our operating results for the three months ended March 31, 2005 reflect the financial impact resulting from the ending of our development and commercialization collaboration with UCB Farchim, S.A. (UCB) that occurred in March 2005. Total revenues for the three months ended March 31, 2006 were $0.3 million, compared to $12.7 million for the same period in 2005. Collaboration revenue for the three months ended March 31, 2005 included accelerated recognition of $7.0 million in deferred revenue as we had no ongoing obligations under the UCB collaboration. Our ability to generate future collaboration revenue in 2006 and beyond will be dependent on our ability to enter into new collaborative relationships. Until we enter into new collaboration arrangements, we expect our future revenues will be limited to government and private agency grants, which will be significantly lower than during the period when we had our collaboration agreement with UCB.

As of March 31, 2006, we had an accumulated deficit of $124.1 million. We do not have any products that generate revenue. We expect to incur substantial and increasing losses as we continue the development of our lead product candidates and preclinical and research programs. If we were to receive regulatory approval for any of our product candidates, we would be required to invest significant capital to develop, or otherwise secure through collaborative relationships, commercial scale manufacturing, marketing and sales capabilities. Even if we are able to obtain approval for our product candidates, we are likely to incur increased operating losses until product sales grow sufficiently to support the organization.

In the fourth quarter of 2005, we completed an underwritten public offering that resulted in net proceeds to the Company of approximately $33.1 million from the sale of 5,720,000 shares of our common stock. We intend to use the proceeds from this offering for general corporate purposes, including clinical trials, research and development expenses and general and administrative expenses.

Excluding the potential impact of any business collaborations or other transactions that may be entered into, we anticipate that our operating expenses will increase significantly during 2006, primarily in connection with our clinical development activities and overall organizational growth.

Critical Accounting Policies and the Use of Estimates

The Company believes that there have been no significant changes in its critical accounting policies during the three months ended

March 31, 2006 as compared with those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2005 except as discussed below with regards to the Company's adoption of Statement of Financial Accounting Standards 123R, "Share-Based Payment" (FAS 123R).

Stock-Based Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards 123R, "Share-Based Payment" (FAS 123R) using the modified-prospective transition method. Under this transition method, compensation cost recognized in the first quarter of 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. Results for prior periods have not been restated.

As a result of the adoption of FAS 123R, the Company reduced its deferred stock compensation balance and additional paid in capital by $2.5 million as of January 1, 2006. As of March 31, 2006, the total unrecognized compensation cost related to non-vested options granted under our stock option plans amounted to $6.9 million, which is expected to be recognized over the options' remaining vesting period which could be as long as 4 years, but also results in a weighted-average vesting period of 1.7 years.

Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating forfeiture rates, stock price volatility and expected option life. The fair value of each option is amortized on a straight-line basis over the option's vesting period, assuming an annual forfeiture rate of 11%. The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model, which requires the input of highly subjective assumptions including the expected life of the option and expected stock price volatility. The expected life of options granted is estimated based on historical option exercise and employee termination data. Executive level employees, who hold a majority of the options outstanding, were grouped and considered separately for valuation purposes, which resulted in an expected life of 6.25 years. Non-executive level employees were found to have similar historical option exercise and termination behavior resulting in an expected life of 4 years. Expected volatility is based on historical volatility of the Company's stock and comparable peer data over the life of the options granted to executive and non-executive level employees.

Results of Operations

The following table sets forth the results of operations for the three months ended March 31, 2006 and 2005 (in thousands, except percentages):

Results of Operations:	Three Months Ended March 31, 2006	2005	Increase (Decrease) from 2005 to 2006 $	%
Revenues:				
Collaboration revenue	$ —	$ 12,199	$ (12,199)	(100)%
Grant revenue	288	499	(211)	(42)%
Total revenues	$ 288	$ 12,698	$ (12,410)	(98)%
Operating expenses:				
Research and development	$ 6,592	$ 5,655	$ 937	17%
General and administrative	2,603	2,340	263	11%
Total operating expenses	$ 9,195	$ 7,995	$ 1,200	15%
Interest income, net	$ 735	$ 367	$ 368	100%

Revenues

Total revenues were $0.3 million for the three months ended March 31, 2006 as compared with $12.7 million for the three months ended March 31, 2005. In March 2005, we agreed to end the collaboration with UCB and regained full rights to our allergy program. Collaboration revenue for the three months ended March 31, 2005 included accelerated recognition of $7.0 million in deferred revenue as we had no ongoing obligations under the collaboration. Our ability to generate future collaboration revenue and obtain additional capital will be dependent on our ability to enter into new collaborative relationships. Until we enter into new collaboration

arrangements, we expect our future revenues will be limited to government and private agency grants, which will be significantly lower than during the period when we had our collaboration agreement with UCB. Beginning in the second quarter of 2006, we anticipate recording contract service revenue in connection with our acquisition of Rhein.

Research and Development

Research and development expense consists primarily of outside services related to our preclinical experiments and clinical trials, regulatory filings, manufacturing our product candidates for our preclinical experiments and clinical trials; compensation and related personnel costs which include benefits, recruitment, travel and supply costs; allocated facility costs and non-cash stock-based compensation. We expense our research and development costs as they are incurred.

The following is a summary of our research and development expense (in thousands):

	Three Months Ended March 31,		Increase (Decrease) from 2005 to 2006	
Research and development:	**2006**	**2005**	**$**	**%**
Compensation and related personnel costs	$ 2,477	$ 2,151	$ 326	15%
Outside services	2,864	2,493	371	15%
Facility costs	966	872	94	11%
Non-cash stock-based compensation	285	139	146	105%
Total research and development	$ 6,592	$ 5,655	$ 937	17%

Research and development expenses of $6.6 million for the three months ended March 31, 2006 increased by $0.9 million, or 17%, from the same period in 2005. The increase over the prior year was primarily due to increased clinical trial and clinical manufacturing activities related to our lead product candidates TOLAMBA and HEPLISAV. Compensation and related personnel costs also increased in 2006 attributed to continued organizational growth. The Company incurred additional stock-based compensation charges resulting from our adoption of FAS 123R effective January 1, 2006.

We anticipate that our research and development expenses will increase significantly during 2006 primarily in connection with the advancement of our clinical development programs in the areas of allergy and hepatitis B, and to a lesser extent associated with our early-stage ISS-based therapeutic programs.

General and Administrative

General and administrative expense consists primarily of compensation and related personnel costs, outside services such as accounting, consulting, business development, investor relations and insurance, legal and patent costs, allocated facility costs and non-cash stock-based compensation.

The following is a summary of our general and administrative expense (in thousands):

	Three Months Ended March 31,		Increase (Decrease) from 2005 to 2006	
General and administrative:	**2006**	**2005**	**$**	**%**
Compensation and related personnel costs	$ 1,165	$ 1,094	$ 71	6%
Outside services	680	613	67	11%
Legal and patent costs	283	329	(46)	(14)%
Facility costs	144	126	18	14%
Gain on disposal of property and equipment	(50)	—	(50)	—
Non-cash stock-based compensation	381	178	203	114%
Total general and administrative	$ 2,603	$ 2,340	$ 263	11%

General and administrative expenses of $2.6 million for the three months ended March 31, 2006 increased by $0.3 million, or 11%, from the same period in 2005. The increase over the prior year primarily reflects the additional stock-based compensation charges resulting from our adoption of FAS 123R effective January 1, 2006. In addition, the Company incurred higher compensation and related personnel costs associated with overall organizational growth. Outside services, including administrative, accounting and consulting fees, increased primarily as a result of the review and testing of our internal control systems in compliance with the requirements of the Sarbanes-Oxley Act.

We expect general and administrative expenses to increase during 2006, resulting from continued organizational growth and expenses incurred to support the advancement of our clinical development programs.

Interest Income, Net

Interest income, net of interest expense and amortization on marketable securities, was $0.7 million for the three months ended March 31, 2006 compared to $0.4 million reported for the same period in 2005. The increase was primarily due to the investment of proceeds from our follow-on equity offering in the fourth quarter of 2005.

Recent Accounting Pronouncements

In April 2006, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FIN 46(R)-6, "Determining the Variability to be Considered When Applying FASB Interpretation No. 46(R)." The FASB Staff Position addresses the approach to determine the variability of assets when applying FIN 46(R), "Consolidation of Variable Interest Entities." The variability determination may affect (a) the determination as to whether an entity is a variable interest entity (VIE), (b) the determination of which interests are variable interests in an entity, (c) if necessary, the calculation of expected losses and residual returns of a VIE entity, and (d) the determination of which party is the primary beneficiary of the VIE. Thus, determining the variability to be considered is necessary to apply the provisions of FIN 46(R). FIN 46(R)-6 should be applied prospectively to all entities (including newly created entities) with which an enterprise first becomes involved and to all entities previously required to be analyzed under FIN 46(R) when a reconsideration event has occurred beginning the first day of the first reporting period beginning after June 15, 2006. Early application is permitted for periods for which financial statements have not yet been issued. The Company will evaluate the impact of adopting this pronouncement in the second quarter of 2006 in connection with the accounting for Symphony Dynamo, Inc. discussed in Note 7 to the unaudited Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

We have financed our operations since inception primarily through the sale of shares of our common stock, shares of our convertible preferred stock, and ordinary shares in a subsidiary, which have yielded a total of approximately $177.9 million in net cash proceeds and, to a lesser extent, through amounts received under collaborative agreements and government grants for biodefense programs. We completed an initial public offering in February 2004, raising net proceeds during fiscal 2004 of approximately $46.5 million from the sale of 6,900,000 shares of common stock. In the fourth quarter of 2005, we completed an underwritten public offering that resulted in net proceeds to the Company of approximately $33.1 million from the sale of 5,720,000 shares of our common stock. As of March 31, 2006, we had $67.5 million in cash, cash equivalents and marketable securities. Our funds are currently invested in a variety of securities, including highly liquid institutional money market funds, commercial paper, government and non-government debt securities and corporate obligations.

Cash used in operating activities of $7.5 million during the three months ended March 31, 2006 compared to $8.1 million for the same period in 2005. The increase in cash usage over the prior year was due primarily to the increase in our net loss from operations and the increase in working capital. Cash provided by investing activities of $15.6 million during the three months ended March 31, 2006 compared to $2.8 million for the same period in 2005. The increase was attributed to net sales of marketable securities. Cash provided by financing activities was $0.1 million during the three months ended March 31, 2006 and 2005, resulting primarily from proceeds from our employee stock purchase plan.

Excluding the potential impact of any equity offerings, business collaborations or other transactions that may be entered into, we expect our cash, cash equivalents and marketable securities to decline by December 31, 2006, primarily due to cash used for operations. We expect net cash used in operating activities to increase significantly in 2006 as compared to prior years related to the advancement of our clinical development programs.

In April 2006, we entered an agreement with Symphony Capital Partners, LP and its co-investors to provide $50 million of committed capital to advance Dynavax's ISS-based cancer, hepatitis B and hepatitis C therapeutic programs through clinical development. Under the terms of the agreement, Symphony Capital has established Symphony Dynamo, Inc. Dynavax will issue to Symphony Dynamo investors a five-year warrant to purchase 2,000,000 shares of Dynavax common stock at $7.32 per share, representing a 25% premium over the recent 60-day trading range average of $5.86 per share. The warrant exercise price is subject to reduction to $5.86 per share under certain circumstances. In consideration for the warrant, Dynavax retains the exclusive right, but not the obligation, through a purchase option to acquire certain or all of the programs at specified points in the future during the five-year term at specified prices. Dynavax has an exclusive option, exercisable at its sole discretion, to acquire all of the programs through the

purchase of all of the equity in Symphony Dynamo. The purchase option exercise price is payable in cash or a combination of cash and shares of Dynavax common stock, at Dynavax's sole discretion. Dynavax also has an option to purchase either the hepatitis B or hepatitis C program during the first year of the agreement. To compensate Symphony Capital for structuring the transaction, the Company paid a structuring fee of $2.0 million.

Also in April 2006, we acquired Rhein Biotech GmbH (Rhein) in a cash transaction of approximately $12.4 million, excluding certain employee and transaction related costs and expenses. Rhein Biotech GmbH was an affiliated entity of Berna Biotech AG, acquired in 2006 by Crucell NV. Under the terms of the transaction, the Company purchased all of the outstanding capital stock of Rhein. The assets of Rhein include manufacturing facilities, research and development stage products (including SUPERVAX, a two-dose hepatitis B vaccine, Theravax, a preclinical-stage therapeutic vaccine for treatment of chronic hepatitis B, and a preclinical-stage vaccine to prevent cytomegalovirus infection), an industrial R&D services business and personnel. In addition, upon closing of the transaction, Dynavax's license and supply agreement with Berna for the supply of hepatitis B surface antigen used in the Company's HEPLISAV™ vaccine was terminated, eliminating Berna's option to commercialize HEPLISAV.

We expect the structuring fees and expenses to Symphony Capital and the acquisition cost and expenses associated with the Rhein transaction to impact net cash usage in 2006.

We believe our existing capital resources will be adequate to satisfy our capital needs for at least the next twelve months. Because of the significant time it will take for any of our product candidates to complete the clinical trials process, be approved by regulatory authorities and successfully commercialized, we may require substantial additional capital resources. We may raise additional funds through public or private equity offerings, debt financings, capital lease transactions, corporate collaborations or other means. We may attempt to raise additional capital due to favorable market conditions or strategic considerations even if we have sufficient funds for planned operations.

Additional financing may not be available on acceptable terms, if at all. Capital may become difficult or impossible to obtain due to poor market or other conditions that are outside of our control. If at any time sufficient capital is not available, either through existing capital resources or through raising additional funds, we may be required to delay, scale back or eliminate some or all of our research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

Contractual Obligations

The following summarizes our significant contractual obligations as of March 31, 2006 and the effect those obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

		Payments Due by Period		
Contractual Obligations:	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**
Future minimum payments under our operating lease	$6,076	$1,282	$3,563	$1,231
Total	$6,076	$1,282	$3,563	$1,231

We lease our facility under an operating lease that expires in September 2014. The lease can be terminated at no cost to us in September 2009 but otherwise extends automatically until September 2014. We have entered into a sublease agreement for a certain portion of the leased space with scheduled payments to us of $0.4 million annually through 2007. This sublease agreement includes an option for early termination in August 2006 but otherwise extends automatically until August 2007.

The table above excludes certain commitments that are contingent upon future events. The most significant of these contractual commitments that we consider to be contingent obligations are summarized below.

During the fourth quarter of 2004, we established a letter of credit with Silicon Valley Bank as security for our property lease in the amount of $0.4 million. The letter of credit remained outstanding as of March 31, 2006 and is collateralized by a certificate of deposit which has been included in restricted cash in the Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005. Under the terms of the lease agreement, if the total amount of our cash, cash equivalents and marketable securities falls below $20.0 million for a period of more than 30 consecutive days during the lease term, the amount of the required security deposit will increase to $1.1 million, until such time as our projected cash and cash equivalents will exceed $20.0 million for the remainder of the lease term, or until our actual cash and cash equivalents remains above $20.0 million for a period of 12 consecutive months.

We rely on research institutions and contract research organizations that conduct and manage clinical trials on our behalf. As of March 31, 2006, under the terms of our agreements with contract research organizations (CRO), clinical investigators and contract manufacturers, we are obligated to make future payments as services are provided of approximately $28 million through 2008. These agreements are terminable by us upon written notice to the CRO. We are generally only liable for actual effort expended by the organizations at any point in time during the contract, subject to certain termination fees and penalties.

In March 2005, we agreed to end the collaboration with UCB and regained full rights to our allergy program. We assume financial responsibility for all further clinical, regulatory, manufacturing and commercial activities related to TOLAMBA and for preclinical development programs in grass and in peanut allergy. The March 2005 agreement also provides for the continued partial reimbursement of certain patent interference fees and expenses, if and as incurred by the Company, subject to a maximum amount.

Under the terms of the exclusive license agreements with the Regents of the University of California, we are obligated to pay annual license or maintenance fees and will be required to pay future milestones and royalties on net sales of products originating from the licensed technologies. No other milestones were achieved as of March 31, 2006.

Under the development collaboration agreement with BioSeek, Inc., we will make various payments based on the success and timing of the Company’s signing of a third party partnering agreement where the Company grants to the third party, directly or indirectly, any right or option to market, sell, distribute or otherwise commercialize a thiazolopyrimidine (TZP) product in any geographic territory. During the three months ended March 31, 2005, we paid BioSeek $0.3 million associated with the achievement of a development milestone. No other events occurred that would give rise to payment as of March 31, 2006.

Under the terms of an agreement with Berna Biotech (acquired by Crucell NV), we agreed to make certain commercialization and sales milestone payments to Berna regarding the Company’s hepatitis B vaccine. None of these milestones were achieved as of March 31, 2006. In conjunction with the Company’s acquisition of Rhein Biotech GmbH, this agreement with Berna is terminated effective April 21, 2006.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents and investments in a variety of securities, including commercial paper, money market funds, government and non-government debt securities and corporate obligations. Because of the short-term maturities of our cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments.

Interest Rate Risk. We do not use derivative financial instruments in our investment portfolio. Due to the short duration and conservative nature of our cash equivalents and marketable securities, we do not expect any material loss with respect to our investment portfolio.

Foreign Currency Risk. We have no significant investments outside the U.S. and have nominal transactional foreign currency risk because nearly all of our business is transacted in U.S. dollars. As a result, we currently have little exposure to foreign exchange rate fluctuations. We anticipate that our exposure to foreign exchange rate fluctuations will increase in connection with our acquisition of Rhein, which we completed in the second quarter of 2006, and its ongoing operations.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in internal controls

No changes in the Company's internal control over financial reporting occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS.

Various statements in this Quarterly Report on Form 10-Q are forward-looking statements concerning our future products, expenses, revenues, liquidity and cash needs, as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Numerous factors could cause our actual results to differ significantly from the results described in these forward-looking statements, including the following risk factors.

We have incurred substantial losses since inception and do not have any commercial products that generate revenue.

We have experienced significant operating losses in each year since our inception in August 1996. To date, our revenue has resulted from a collaboration agreement with UCB Farchim, S.A. (UCB) and government and private agency grants. The UCB collaboration agreement ended in March 2005. The grants are subject to annual review based on the achievement of milestones and other factors and will terminate in January 2007 at the latest. Our accumulated deficit was $124.1 million as of March 31, 2006, and we anticipate that we will incur substantial additional operating losses for the foreseeable future. These losses have been, and will continue to be, principally the result of the various costs associated with our research and development activities. We expect our losses to increase primarily as a consequence of our continuing product development efforts.

We do not have any products that generate revenue. In April 2006, we initiated the Dynavax Allergic Rhinitis TOLAMBA Trial, or DARTT, which is designed to complement data derived from the recently completed Phase II/III clinical trial and our ongoing trial in ragweed allergic children. The HEPLISAV pivotal Phase III trial in Asia and the U.S.-based Phase I trial in patients with pre-hemodialysis are ongoing. These and our other product candidates may never be commercialized, and we may never generate product-related revenue. Our ability to generate product revenue depends upon:

- demonstrating in clinical trials that our product candidates are safe and effective, in particular, in the current and planned trials for TOLAMBA and HEPLISAV;
- obtaining regulatory approvals for our product candidates in the United States and international markets;
- entering into collaborative relationships on commercially reasonable terms for the development, manufacturing, sales and marketing of our product candidates, and then successfully managing these relationships; and
- obtaining commercial acceptance of our products, in particular TOLAMBA and HEPLISAV.

If we are unable to generate revenues or achieve profitability, we may be required to significantly reduce or discontinue our operations or raise additional capital under adverse circumstances.

If we are unable to secure additional funding, we will have to reduce or discontinue operations.

We believe our existing capital resources will be adequate to satisfy our capital needs for at least the next twelve months. Because of the significant time and resources it will take to develop our product candidates, potentially commercialize them and generate revenues, we may require substantial additional capital resources in order to continue our operations, and any such funding may not cover our costs of operations. In the event we change our development plans or clinical programs, we may need additional capital sooner than we currently anticipate.

We expect capital outlays and operating expenditures to increase over the next several years as we expand our operations. We may be unable to obtain additional capital from financing sources or from agreements with collaborators on acceptable terms, or at all. If at any time sufficient capital is not available, we may be required to delay, reduce the scope of, or eliminate some or all of our research, preclinical or clinical programs or discontinue our operations.

All of our product candidates are unproven, and our success depends on our product candidates being approved through uncertain and time-consuming regulatory processes. Failure to prove our products safe and effective in clinical trials and obtain regulatory approvals could require us to discontinue operations.

None of our product candidates has been approved for sale in the United States or any foreign market. Any product candidate we develop is subject to extensive regulation by federal, state and local governmental authorities in the United States, including the FDA, and by foreign regulatory agencies. Our success is primarily dependent on our ability to obtain regulatory approval for TOLAMBA, our ragweed allergy product candidate, and HEPLISAV, our hepatitis B vaccine product candidate. Approval processes in the United States and in other countries are uncertain, take many years and require the expenditure of substantial resources. Product development failure can occur at any stage of clinical trials and as a result of many factors, many of which are not under our control.

We will need to demonstrate in clinical trials that each product candidate is safe and effective before we can obtain the necessary approvals from the FDA and foreign regulatory agencies. In early 2006, we announced results from a two-year Phase II/III clinical trial of TOLAMBA in which the safety profile was favorable. In April 2006, we initiated the DARTT study, which broadens the TOLAMBA clinical program and is designed to complement data derived from the recently completed Phase II/III clinical trial and our ongoing trial in ragweed allergic children initiated in 2005. If we identify any safety issues associated with TOLAMBA, we may be delayed or prevented from initiating a pivotal Phase III trial for TOLAMBA. We have initiated a pivotal Phase III trial for HEPLISAV in Asia. We are in the process of planning additional trials designed to support registration activities. The FDA or foreign regulatory agencies may require us to conduct additional clinical trials prior to approval in their jurisdictions.

Many new drug candidates, including many drug candidates that have completed Phase III clinical trials, have shown promising results in early clinical trials and subsequently failed to establish sufficient safety and efficacy to obtain regulatory approval. Despite the time and money expended, regulatory approvals are never guaranteed. Failure to complete clinical trials and prove that our products are safe and effective would have a material adverse effect on our ability to eventually generate revenues and could require us to reduce the scope of or discontinue our operations.

Our clinical trials may be extended, suspended, delayed or terminated at any time. Even short delays in the commencement and progress of our trials may lead to substantial delays in the regulatory approval process for our product candidates, which will impair our ability to generate revenues.

We may extend, suspend or terminate clinical trials at any time for various reasons, including regulatory actions by the FDA or foreign regulatory agencies, actions by institutional review boards, failure to comply with good clinical practice requirements, concerns regarding health risks to test subjects, or inadequate supply of the product candidate. In addition, our ability to conduct clinical trials for some of our product candidates, notably TOLAMBA, is limited due to the seasonal nature of ragweed allergy. Even a small delay in a trial for any product candidate could require us to delay commencement of the trial until the next appropriate season, which could result in a delay of an entire year. Our registration and commercial timelines will be dependent on results of the current and planned clinical trials and further discussions with the FDA. Consequently, we may experience additional delays in obtaining regulatory approval for these product candidates.

Extension, suspension, termination or unanticipated delays of our clinical trials for TOLAMBA or HEPLISAV may:

- adversely affect our ability to commercialize or market any product candidates we may develop;
- impose significant additional costs on us;
- potentially diminish any competitive advantages that we may attain;
- adversely affect our ability to enter into collaborations, receive milestone payments or royalties from potential collaborators;
- cause us to abandon the development of the affected product candidate; or
- limit our ability to obtain additional financing on acceptable terms, if at all.

If third parties successfully assert that we have infringed their patents and proprietary rights or challenge the validity of our patents and proprietary rights, we may become involved in intellectual property disputes and litigation that would be costly, time consuming, and delay or prevent development or commercialization of our product candidates.

We may be exposed to future litigation by third parties based on claims that our product candidates, proprietary technologies or the licenses on which we rely, infringe their intellectual property rights, or we may be required to enter into litigation to enforce patents issued or licensed to us or to determine the scope or validity of another party's proprietary rights. If we become involved in any litigation, interference or other administrative proceedings related to our intellectual property or the intellectual property of others, we will incur substantial expenses and it will divert the efforts of our technical and management personnel. Others may succeed in challenging the validity of our issued and pending claims.

Two of our potential competitors relative to HEPLISAV, Merck & Co., Inc. and GlaxoSmithKline Plc, are exclusive licensees of broad patents covering hepatitis B surface antigen. In addition, the Institute Pasteur also owns or has exclusive licenses to patents covering hepatitis B surface antigen. While some of these patents have expired or will soon expire outside of the United States, they remain in force in the United States and are likely to be in force when we commercialize HEPLISAV or a similar product in the United States. To the extent we were to commercialize HEPLISAV in the United States, Merck and/or GlaxoSmithKline or the Institute Pasteur may bring claims against us.

If we are unsuccessful in defending or prosecuting our issued and pending claims or in defending potential claims against us, for example, as may arise to the extent we were to commercialize HEPLISAV or any similar product candidate in the United States, we could be required to pay substantial damages and we may be unable to commercialize our product candidates or use our proprietary technologies unless we obtain a license from these or other third parties. A license may require us to pay substantial royalties, require us to grant a cross-license to our technology or may not be available to us on acceptable terms or on any terms. In addition, we may be required to redesign our technology so it does not infringe a third party's patents, which may not be possible or could require substantial funds and time. Any of these outcomes may require us to change our business strategy and could reduce the value of our business.

Another of our potential competitors, Coley Pharmaceutical Group (Coley), has issued U.S. patent claims, as well as patent claims pending with the U.S. Patent and Trademark Office, that, if held to be valid, could require us to obtain a license in order to commercialize one or more of our formulations of ISS in the United States, including TOLAMBA and HEPLISAV. In December 2003 the U.S. Patent and Trademark Office declared an interference to resolve first-to-invent disputes between a patent application filed by the Regents of the University of California, which is exclusively licensed to us, and an issued U.S. patent owned by Coley relating to immunostimulatory DNA sequences. The declaration of interference named the Regents of the University of California as senior party, indicating that a patent application filed by the Regents of the University of California and licensed to us was filed prior to a patent application owned by Coley that led to an issued U.S. patent. The interference provides the first forum to challenge the validity and priority of certain of Coley's patents. On March 10, 2005, the U.S. Patent and Trademark Office issued a decision in the interference which did not address the merits of the case, but dismissed it on a legal technicality related to the timing of Dynavax's filing of its claims and request for interference. Dynavax has appealed this decision. If we prevail in the appeal, we will be able to continue the interference to address the merits of the case. If we prevail in the interference proceeding, it would establish our founders as the inventors of the inventions in dispute. However, even a favorable outcome in the interference would not prevent Coley from asserting its other patents or patent claims, that were not the subject of the interference, against our ISS products, which could harm our ability to commercialize those products. If we do not prevail in the interference proceeding, we may not be able to obtain patent protection on the subject matter of the interference, which would have a material adverse impact on our business. In addition, if Coley prevails in the interference, it may seek to enforce its rights under issued claims, including, for example, by suing us for patent infringement. Consequently, we may need to obtain a license to issued and/or pending claims held by Coley by paying cash, granting royalties on sales of our products or offering rights to our own proprietary technologies. Such a license may not be available to us on acceptable terms, if at all.

If we receive regulatory approval for our product candidates, we will be subject to ongoing FDA and foreign regulatory obligations and continued regulatory review, which may be costly and subject us to various enforcement actions.

Any regulatory approvals that we receive for our product candidates are likely to contain requirements for post-marketing follow-up studies, which may be costly. Product approvals, once granted, may be modified, resulting in limitations on our labeling indications or marketing claims, or withdrawn completely if problems occur after commercialization. Thus, even if we receive FDA and other regulatory approvals, our product candidates may later exhibit qualities that limit or prevent their widespread use or that force us to withdraw those products from the market.

In addition, we or our contract manufacturers will be required to adhere to federal regulations setting forth current good manufacturing practice. The regulations require that our product candidates be manufactured and our records maintained in a

prescribed manner with respect to manufacturing, testing and quality control activities. Furthermore, we or our contract manufacturers must pass a pre-approval inspection of manufacturing facilities by the FDA and foreign regulatory agencies before obtaining marketing approval and will be subject to periodic inspection by the FDA and corresponding foreign regulatory agencies under reciprocal agreements with the FDA. Further, to the extent that we contract with third parties for the manufacture of our products, our ability to control third-party compliance with FDA requirements will be limited to contractual remedies and rights of inspection.

Failure to comply with regulatory requirements could prevent or delay marketing approval or require the expenditure of money or other resources to correct. Failure to comply with applicable requirements may also result in warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution, any of which could be harmful to our ability to generate revenues and our stock price.

Our product candidates in clinical trials rely on a single lead ISS compound, 1018 ISS, and most of our earlier stage programs rely on ISS-based technology. Serious adverse safety data relating to either 1018 ISS or other ISS-based technology may require us to reduce the scope of or discontinue our operations.

Our product candidates in clinical trials are based on 1018 ISS, and substantially all of our research and development programs use ISS-based technology. If any of our product candidates in clinical trials produce serious adverse safety data, we may be required to delay or discontinue all of our clinical trials. In addition, as all of our clinical product candidates contain 1018 ISS, potential collaborators may also be reluctant to establish collaborations for our products in distinct therapeutic areas due to the common safety risk across therapeutic areas. If adverse safety data are found to apply to our ISS-based technology as a whole, we may be required to discontinue our operations.

We have licensed some of our development and commercialization rights to certain of our development programs in connection with the Symphony Dynamo funding arrangement and will not receive any future royalties or revenues with respect to this intellectual property unless we exercise an option to repurchase the programs in the future. We may not obtain sufficient clinical data in order to determine whether we should exercise this option prior to the expiration of the development period, and even if we decide to exercise, we may not have the financial resources to exercise this option in a timely manner.

We have granted an exclusive license to the intellectual property for certain ISS compounds for cancer, hepatitis B and hepatitis C therapeutics to Symphony Dynamo, Inc. in consideration for a commitment from Symphony Capital Partners, LP and its co-investors to provide $50 million of committed capital to advance these programs. The funding is to be provided in two tranches, $30 million of which remains to be provided by the first anniversary of the agreement. As part of the arrangement, we received an option granting us the exclusive right, but not the obligation, to acquire certain or all of the programs at specified points in time at specified prices during the term of the five-year development period. The development programs under the arrangement will be jointly managed by Symphony Dynamo and us, and there can be no assurance that we will agree on various decisions that will enable us to successfully develop the potential products, or even if we are in agreement on the development plans, that the development efforts will result in sufficient clinical data to make a fully informed decision with respect to the exercise of our option. If we do not exercise the purchase option prior to its expiration, then our rights in and with respect to the Symphony Dynamo programs will terminate and we will no longer have rights to any of the programs licensed to Symphony Dynamo under the arrangement.

If we elect to exercise the purchase option, we will be required to make a substantial payment, which at our election may be paid partially in shares of our common stock. As a result, in order to exercise the option, we will be required to make a substantial payment of cash and possibly issue a substantial number of shares of our common stock. We do not currently have the resources to exercise the option and we may be required to enter into a financing arrangement or license arrangement with one or more third parties, or some combination of these in order to exercise the option, even if we paid a portion of the purchase price with our common stock. There can be no assurance that any financing or licensing arrangement will be available or even if available, that the terms would be favorable to us and our stockholders. In addition, the exercise of the purchase option will likely require us to record a significant charge to earnings and may adversely impact future operating results.

A key part of our business strategy is to establish collaborative relationships to commercialize and fund development of our product candidates. We may be unsuccessful in establishing and managing collaborative relationships, which may significantly limit our ability to develop and commercialize our products successfully, if at all.

We will need to establish collaborative relationships to obtain domestic and international sales, marketing and distribution capabilities for our product candidates. We also intend to enter into collaborative relationships to provide funding to support our research and development programs. Our collaboration agreement with UCB for TOLAMBA and for grass allergy immunotherapy ended in March 2005. Future collaboration revenue will depend on our ability to enter into new collaborative relationships.

The process of establishing collaborative relationships is difficult, time-consuming and involves significant uncertainty. Moreover, even if we do establish collaborative relationships, our collaborators may seek to renegotiate or terminate their relationships with us due to unsatisfactory clinical results, a change in business strategy, a change of control or other reasons. If any collaborator fails to fulfill its responsibilities in a timely manner, or at all, our research, clinical development or commercialization efforts related to that collaboration could be delayed or terminated, or it may be necessary for us to assume responsibility for expenses or activities that would otherwise have been the responsibility of our collaborator. If we are unable to establish and maintain collaborative relationships on acceptable terms, we may have to delay or discontinue further development of one or more of our product candidates, undertake development and commercialization activities at our own expense or find alternative sources of capital.

We rely on third parties to supply component materials necessary for our clinical product candidates and manufacture product candidates for our clinical trials. Loss of these suppliers or manufacturers, or failure to replace them may delay our clinical trials and research and development efforts and may result in additional costs, which would preclude us from producing our product candidates on commercially reasonable terms.

We rely on a number of third parties for the multiple steps involved in the manufacturing process of our product candidates, including, for example, the manufacture of the antigens and ISS, the component materials that are necessary for our product

candidates, the combination of the antigens and ISS, and the fill and finish. Termination or interruption of these relationships may occur due to circumstances that are outside our control, resulting in higher cost or delays in our product development efforts.

We and these third parties are required to comply with applicable current FDA good manufacturing practice regulations and similar requirements in Canada and other foreign countries. If one of these parties fails to maintain compliance with these regulations, the production of our product candidates could be interrupted, resulting in delays and additional costs. Additionally, these third parties must pass a pre-approval inspection before we can obtain regulatory approval for any of our product candidates.

In particular, we have relied on a single supplier to produce our ISS for clinical trials. ISS is a critical component of both of TOLAMBA and HEPLISAV. To date, we have manufactured only small quantities of ISS ourselves for research purposes. If we were unable to maintain or replace our existing source for ISS, we would have to establish an in-house ISS manufacturing capability, incurring increased capital and operating costs and delays in developing and commercializing our product candidates. We or other third parties may not be able to produce ISS at a cost, quantity and quality that are available from our current third-party supplier.

In addition, we do not currently have a contract manufacturer for TOLAMBA or sufficient TOLAMBA to supply our potential commercial needs. We are currently manufacturing supplies of TOLAMBA for the second year of our current clinical trial in ragweed allergic children. We intend to enter into manufacturing agreements with one or more commercial-scale contract manufacturers to produce additional supplies of TOLAMBA as required for new clinical trials and commercialization. If we are unable to complete such agreements, we may be unable to commence and complete our clinical trials in a timely fashion, and we would have to establish an internal commercial scale manufacturing capability for TOLAMBA, incurring increased capital and operating costs, delays in the commercial development of TOLAMBA and higher manufacturing costs than we have experienced to date.

We have or intend to contract with one or more third parties to conduct our clinical trials for TOLAMBA and HEPLISAV. If these third parties do not carry out their contractual obligations or meet expected deadlines, our planned clinical trials may be delayed and we may fail to obtain the regulatory approvals necessary to commercialize TOLAMBA or HEPLISAV.

We are unable to independently conduct our planned clinical trials for TOLAMBA or HEPLISAV, and we have or intend to contract with third party contract research organizations to manage and conduct these trials. If these third parties do not carry out their contractual duties or obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to failure to adhere to our clinical protocols or for other reasons, our planned clinical trials may be extended, delayed or terminated. Any extension, delay or termination of our trials would delay our ability to commercialize TOLAMBA or HEPLISAV and generate revenues.

If any products we develop are not accepted by the market or if regulatory agencies limit our labeling indications or marketing claims, we may be unable to generate significant revenues, if any.

If we obtain regulatory approval for our product candidates and are able to successfully commercialize them, our product candidates may not gain market acceptance among physicians, patients, health care payors and the medical community. The FDA or other regulatory agencies could limit the labeling indication for which our product candidates may be marketed or could otherwise constrain our marketing claims, reducing our or our collaborators' ability to market the benefits of our products to particular patient populations. If we are unable to successfully market any approved product candidates, or are limited in our marketing efforts by regulatory limits on labeling indications or marketing claims, our ability to generate revenues could be significantly impaired.

In particular, treatment with TOLAMBA, if approved, will require a series of injections, and we expect that some of the patients that currently take oral or inhaled pharmaceutical products to treat their allergies would not consider using our product. We believe that market acceptance of TOLAMBA will also depend on our ability to offer competitive pricing, increased efficacy and improved ease of use as compared to existing or potential new allergy treatments.

We may seek partners for purposes of commercialization of HEPLISAV in selected markets worldwide. Marketing challenges vary by market and could limit or delay acceptance in any particular country. We believe that market acceptance of HEPLISAV will depend on our ability to offer increased efficacy and improved ease of use as compared to existing or potential new hepatitis B vaccine products.

We face uncertainty related to coverage, pricing and reimbursement and the practices of third party payors, which may make it difficult or impossible to sell our product candidates on commercially reasonable terms.

In both domestic and foreign markets, our ability to generate revenues from the sales of any approved product candidates in excess of the costs of producing the product candidates will depend in part on the availability of reimbursement from third party payors. Existing laws affecting the pricing and coverage of pharmaceuticals and other medical products by government programs and other third party payors may change before any of our product candidates are approved for marketing. In addition, third party payors are increasingly challenging the price and cost-effectiveness of medical products and services. Significant uncertainty therefore exists as to coverage and reimbursement levels for newly approved health care products, including pharmaceuticals. Because we intend to offer products, if approved, that involve new technologies and new approaches to treating disease, the willingness of third party payors to reimburse for our products is particularly uncertain. We will have to charge a price for our products that is sufficiently high to enable

us to recover the considerable capital resources we have spent and will continue to spend on product development. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize a return on our investment in product development. If it becomes apparent, due to changes in coverage or pricing of pharmaceuticals in our market or a lack of reimbursement, that it will be difficult, if not impossible, for us to generate revenues in excess of costs, we will need to alter our business strategy significantly. This could result in significant unanticipated costs, harm our future prospects and reduce our stock price.

Many of our competitors have greater financial resources and expertise than we do. If we are unable to successfully compete with existing or potential competitors despite these disadvantages we may be unable to generate revenues and our business will be harmed.

We compete with many companies and institutions, including pharmaceutical companies, biotechnology companies, academic institutions and research organizations, in developing alternative therapies to treat or prevent allergy, infectious diseases, asthma and cancer, as well as those focusing more generally on the immune system. Competitors may develop more effective, more affordable or more convenient products or may achieve earlier patent protection or commercialization of their products. These competitive products may render our product candidates obsolete or limit our ability to generate revenues from our product candidates. Many of the companies developing competing technologies and products have significantly greater financial resources and expertise in research and development, manufacturing, preclinical and clinical testing, obtaining regulatory approvals and marketing than we do.

TOLAMBA, if approved, will compete directly with conventional allergy shots and indirectly with antihistamines, corticosteroids and anti-leukotriene agents, used to treat seasonal allergy symptoms, including those produced by GlaxoSmithKline Plc, Merck & Co., Inc., Novartis, Schering-Plough and AstraZeneca Plc. Since our TOLAMBA ragweed allergy treatment would require a series of injections, we expect that some patients that currently take oral or inhaled pharmaceutical products to treat their allergies would not consider our product.

HEPLISAV, if approved, will compete with existing vaccines produced by GlaxoSmithKline Plc and Merck & Co., Inc., among others.

Existing and potential competitors may also compete with us for qualified scientific and management personnel, as well as for technology that would be advantageous to our business. If we are unable to compete with existing and potential competitors we may not be able to obtain financing, sell our product candidates or generate revenues.

We depend on key employees in a competitive market for skilled personnel, and the loss of the services of any of our key employees would affect our ability to develop and commercialize our product candidates and achieve our objectives.

We are highly dependent on the principal members of our management, operations and scientific staff, including our Chief Executive Officer, Dr. Dino Dina. We experience intense competition for qualified personnel. Our future success also depends in part on the continued service of our executive management team, key scientific and management personnel and our ability to recruit, train and retain essential scientific personnel for our drug discovery and development programs, including those who will be responsible for overseeing our preclinical testing and clinical trials as well as for the establishment of collaborations with other companies. If we lose the services of any of these people, our research and product development goals, including the identification and establishment of key collaborations, operations and marketing efforts could be delayed or curtailed.

We intend to develop, seek regulatory approval for and market our product candidates outside the United States, requiring a significant commitment of resources. Failure to successfully manage our international operations could result in significant unanticipated costs and delays in regulatory approval or commercialization of HEPLISAV and therapeutic product candidates.

We plan to introduce HEPLISAV initially in various markets outside the United States. Developing, seeking regulatory approval for and marketing our product candidates outside the United States could impose substantial burdens on our resources and divert management’s attention from domestic operations. We may also conduct operations in other foreign jurisdictions.

International operations are subject to risk, including:

- the difficulty of managing geographically distant operations, including recruiting and retaining qualified employees, locating adequate facilities and establishing useful business support relationships in the local community;

- compliance with varying international regulatory requirements;
- securing international distribution, marketing and sales capabilities;
- adequate protection of our intellectual property rights;
- difficulties and costs associated with complying with a wide variety of complex international laws and treaties;
- legal uncertainties and potential timing delays associated with tariffs, export licenses and other trade barriers;
- adverse tax consequences;
- the fluctuation of conversion rates between foreign currencies and the U.S. dollar; and
- geopolitical risks.

If we are unable to successfully manage our international operations, we may incur significant unanticipated costs and delays in regulatory approval or commercialization of HEPLISAV and therapeutic product candidates, as well as other product candidates that we may choose to commercialize internationally, which would impair our ability to generate revenues.

We recently acquired Rhein Biotech GmbH and any difficulties from integrating the Rhein's business into ours could disrupt our business and harm our financial condition.

On April 21, 2006, we acquired Rhein Biotech GmbH in a cash transaction of approximately $12.4 million, excluding certain employee and transaction related costs and expenses. Through this acquisition, Dynavax gained ownership of a European Union (EU) GMP-certified vaccine manufacturing facility in Düsseldorf, Germany, certain vaccine and other commercial programs, a management team and personnel with specialized expertise in process development and vaccine manufacturing.

Integrating Rhein's operations, technology and personnel with our operations and personnel is a complex process. The successful integration of Dynavax and Rhein will require, among other things, ongoing coordination of various integration efforts, relating to our personnel system, technologies and commercial programs. We may not be able to rapidly or efficiently integrate Rhein's business and technology into ours and the expected benefits of the combination may not materialize. Our ability to successfully integrate Rhein involves numerous risks, including:

- difficulties in integrating the operations, technologies, products and personnel of Rhein;
- difficulties in successfully utilizing Rhein's manufacturing capabilities to produce materials for our existing product candidates in lieu of purchasing such materials from third party vendors;
- diversion of management's attention from normal daily operations of the business; · potential difficulties in integrating different projects;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- insufficient revenues to offset increased expenses associated with the acquisition; and · potential loss of key employees of Rhein.

The Rhein acquisition may also cause us to:

- assume liabilities some of which may be unknown at of the time of such acquisitions;
- record certain intangible assets in conjunction with our accounting for the transaction in the second quarter of 2006 that may be subject to immediate write-off, ongoing impairment testing, or potential periodic impairment charges, or may cause us to incur future amortization expenses;
- become subject to unknown litigation.

There can be no assurance that we will be able to successfully integrate Rhein and its technology and personnel into our business.

We use hazardous materials in our business. Any claims or liabilities relating to improper handling, storage or disposal of these materials could be time consuming and costly to resolve.

Our research and product development activities involve the controlled storage, use and disposal of hazardous and radioactive materials and biological waste. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. We are currently in compliance with all government permits that are required for the storage, use and disposal of these materials. However, we cannot eliminate the risk of accidental contamination or injury to persons or property from these materials. In the event of an accident related to hazardous materials, we could be held liable for damages, cleanup costs or penalized with fines, and this liability could exceed the limits of our insurance policies and exhaust our internal resources. We may have to incur significant costs to comply with future environmental laws and regulations.

We face product liability exposure, which, if not covered by insurance, could result in significant financial liability.

While we have not experienced any product liability claims to date, the use of any of our product candidates in clinical trials and the sale of any approved products will subject us to potential product liability claims and may raise questions about a product's safety and efficacy. As a result, we could experience a delay in our ability to commercialize one or more of our product candidates or reduced sales of any approved product candidates. In addition, a product liability claim may exceed the limits of our insurance policies and exhaust our internal resources. We have obtained limited product liability insurance coverage in the amount of $1 million for each occurrence for clinical trials with umbrella coverage of an additional $4 million. This coverage may not be adequate or may not continue to be available in sufficient amounts, at an acceptable cost or at all. We also may not be able to obtain commercially reasonable product liability insurance for any product approved for marketing in the future. A product liability claim, product recalls

or other claims, as well as any claims for uninsured liabilities or in excess of insured liabilities, would divert our management's attention from our business and could result in significant financial liability.

If the combination of patents, trade secrets and contractual provisions that we rely on to protect our intellectual property is inadequate, the value of our product candidates will decrease.

Our success depends on our ability to:

- obtain and protect commercially valuable patents or the rights to patents both domestically and abroad;
- operate without infringing upon the proprietary rights of others; and
- prevent others from successfully challenging or infringing our proprietary rights.

We will be able to protect our proprietary rights from unauthorized use only to the extent that these rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. We try to protect our proprietary rights by filing and prosecuting United States and foreign patent applications. However, in certain cases such protection may be limited, depending in part on existing patents held by third parties, which may only allow us to obtain relatively narrow patent protection. In the United States, legal standards relating to the validity and scope of patent claims in the biopharmaceutical field can be highly uncertain, are still evolving and involve complex legal and factual questions for which important legal principles remain unresolved.

The biopharmaceutical patent environment outside the United States is even more uncertain. We may be particularly affected by this uncertainty, given that several of our product candidates may initially address market opportunities outside the United States. For example, we expect to market HEPLISAV, if approved, in various foreign countries with high incidences of hepatitis B, including Canada, Europe and selected markets in Asia, where we may only be able to obtain limited patent protection.

The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- we might not have been the first to make the inventions covered by each of our pending patent applications and issued patents;
- we might not have been the first to file patent applications for these inventions;
- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents that are issued may not provide meaningful protection;
- our issued patents may not provide a basis for commercially viable products or may not be valid or enforceable;
- we might not be able to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us or our collaborators may not provide a competitive advantage;
- patents issued to other companies, universities or research institutions may harm our ability to do business;
- other companies, universities or research institutions may independently develop similar or alternative technologies or duplicate our technologies and commercialize discoveries that we attempt to patent; and
- other companies, universities or research institutions may design around technologies we have licensed, patented or developed.

We also rely on trade secret protection and confidentiality agreements to protect our interests in proprietary know-how that is not patentable and for processes for which patents are difficult to enforce. We cannot be certain that we will be able to protect our trade secrets adequately. Any leak of confidential data into the public domain or to third parties could allow our competitors to learn our trade secrets. If we are unable to adequately obtain or enforce proprietary rights we may be unable to commercialize our products, enter into collaborations, generate revenues or maintain any advantage we may have with respect to existing or potential competitors.

We rely on our licenses from the Regents of the University of California. Impairment of these licenses or our inability to maintain them would severely harm our business.

Our success depends upon our license arrangements with the Regents of the University of California. These licenses are critical to our research and product development efforts. Our dependence on these licenses subjects us to numerous risks, such as disputes regarding the invention and corresponding ownership rights in inventions and know-how resulting from the joint creation or use of intellectual property by us and the Regents of the University of California, or scientific collaborators. Additionally, our agreements with the Regents of the University of California generally contain diligence or milestone-based termination provisions. Our failure to meet any obligations pursuant to these provisions could allow the Regents of the University of California to terminate any of these licensing agreements or convert them to non-exclusive licenses. In addition, our license agreements with the Regents of the University of California may be terminated or may expire by their terms, and we may not be able to maintain the exclusivity of these licenses. If

we cannot maintain licenses that are advantageous or necessary to the development or the commercialization of our product candidates, we may be required to expend significant time and resources to develop or license similar technology.

Our stock price is subject to volatility, and your investment may suffer a decline in value.

The market prices for securities of biopharmaceutical companies have in the past been, and are likely to continue in the future to be, very volatile. The market price of our common stock is subject to substantial volatility depending upon many factors, many of which are beyond our control, including:

- progress or results of any of our clinical trials, in particular any announcements regarding the progress or results of our planned trials for TOLAMBA and HEPLISAV;
- progress of regulatory approval of our product candidates, in particular TOLAMBA and HEPLISAV, and compliance with ongoing regulatory requirements;
- our ability to establish collaborations for the development and commercialization of our product candidates;
- market acceptance of our product candidates;
- our ability to raise additional capital to fund our operations, whether through the issuance of equity securities or debt;
- technological innovations, new commercial products or drug discovery efforts and preclinical and clinical activities by us or our competitors;
- changes in our intellectual property portfolio or developments or disputes concerning the proprietary rights of our products or product candidates;
- our ability to obtain component materials and successfully enter into manufacturing relationships for our product candidates or establish manufacturing capacity on our own;
- our ability to form strategic partnerships or joint ventures;
- maintenance of our existing licensing agreements with the Regents of the University of California;
- changes in government regulations;
- issuance of new or changed securities analysts' reports or recommendations;
- general economic conditions and other external factors;
- actual or anticipated fluctuations in our quarterly financial and operating results; and
- degree of trading liquidity in our common stock

One or more of these factors could cause a decline in the price of our common stock. In addition, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because we have experienced greater than average stock price volatility, as have other biotechnology companies in recent years. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs, and divert management's attention and resources, which could harm our business, operating results and financial conditions.

Anti-takeover provisions of our certificate of incorporation, bylaws and Delaware law may prevent or frustrate a change in control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent attempts by our stockholders to replace or remove our current management.

Provisions of our certificate of incorporation and bylaws may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting or other rights of the holders of our common stock. These provisions include:

- authorizing our Board of Directors to issue additional preferred stock with voting rights to be determined by the Board of Directors;
- limiting the persons who can call special meetings of stockholders;
- prohibiting stockholder actions by written consent;
- creating a classified board of directors pursuant to which our directors are elected for staggered three year terms;
- providing that a supermajority vote of our stockholders is required for amendment to certain provisions of our certificate of incorporation and bylaws; and
- establishing advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, we are subject to the provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for five years unless the holder's acquisition of our stock was approved in advance by our Board of Directors.

We will continue to implement additional finance and accounting systems, procedures or controls as we grow our business and organization and to satisfy new reporting requirements.

As a public company, we are required to comply with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, including expanded disclosures and accelerated reporting requirements and more complex accounting rules. Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and other requirements may increase our costs and require additional management resources. We may need to continue to implement additional finance and accounting systems, procedures and controls as we grow our business and organization and to comply with new reporting requirements. There can be no assurance that we will be able to maintain a favorable assessment as to the adequacy of our internal control reporting. If we are unable to maintain an unqualified report as to the effectiveness of our internal controls over financial reporting, investors could lose confidence in the reliability of our internal controls over financial reporting and the reliability of our financial statements, which could harm our business and could impact the market price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On November 10, 2005, we completed an underwritten public offering of 5,720,000 shares of common stock, including 720,000 shares subject to the underwriters' over-allotment option at a public offering price of $6.25 per share and realized an aggregate offering price of $35.7 million. The Offering was made pursuant to the Registration Statement on Form S-3 (File No. 333-127930) filed on August 29, 2005 with the Securities and Exchange Commission and the related prospectus supplement dated October 10, 2005. The underwriters for the initial public offering were Bear, Stearns & Co. Inc., CIBC World Markets Corp. and Pacific Growth Equities LLC. We received net proceeds from the offering of approximately $33.1 million. These proceeds were net of $2.1 million in underwriting discounts and commissions, $0.4 million in legal, accounting and printing fees and $0.1 million in other expenses. We intend to use the proceeds from this offering for general corporate purposes, including clinical trials, research and development expenses and general and administrative expenses.

On February 24, 2004, we completed our initial public offering of 6,900,000 shares of common stock, including 900,000 shares subject to the underwriters' over-allotment option at a public offering price of $7.50 per share and realized an aggregate offering price of $51.8 million. Our registration statement on Form S-1 (Reg. No. 333-109965) was declared effective by the Securities and Exchange Commission on February 11, 2004. The underwriters for the initial public offering were Bear, Stearns & Co. Inc., Deutsche Bank Securities Inc. and Piper Jaffray & Co. We received net proceeds from the offering of approximately $46.5 million. These proceeds were net of $3.6 million in underwriting discounts and commissions, $1.4 million in legal, accounting and printing fees and

$0.3 million in other expenses. We used $0.4 million of the net proceeds to make a one-time cash payment to the University of California pursuant to the terms of several license agreements with them.

We will retain broad discretion over the use of the net proceeds received from our offerings. The amount and timing of our actual expenditures may vary significantly depending on numerous factors, such as the progress of our product candidate development and commercialization efforts and the amount of cash used by our operations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Document
10.19*	2004 Non-employee Director Option Program (Revised) and 2005 Non-employee Director Cash Compensation program, effective April 14, 2005 and amended February 23, 2006
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto due authorized, in the City of Berkeley, State of California.

DYNAVAX TECHNOLOGIES CORPORATION

By: /s/ DINO DINA, M.D.
Dino Dina, M.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 5, 2006

By: /s/ DEBORAH A. SMELTZER
Deborah A. Smeltzer
Vice President, Operations and
Chief Financial Officer
(Principal Financial Officer)

Date: May 5, 2006

By: /s/ TIMOTHY G. HENN
Timothy G. Henn
Vice President, Finance and Administration and
Chief Accounting Officer
(Principal Accounting Officer)

Date: May 5, 2006

Exhibit 10.19

DYNAVAX TECHNOLOGIES CORPORATION
2004 NON-EMPLOYEE DIRECTOR OPTION PROGRAM (REVISED)
AND
2005 NON-EMPLOYEE DIRECTOR CASH COMPENSATION PROGRAM

EFFECTIVE APRIL 14, 2005
(REVISION VERSION 3.0)

ARTICLE I
ESTABLISHMENT AND PURPOSE OF THE PROGRAM

1.1 Establishment of Program

The Dynavax Technologies Corporation 2004 Non-Employee Director Option Program, as revised herein, including the Non-Employee Director Cash Compensation Program (collectively, the "Director Program") is adopted pursuant to the Dynavax Technologies Corporation 2004 Stock Incentive Plan (the "Plan") and, in addition to the terms and conditions set forth below, is subject to the provisions of the Plan.

1.2 Purpose of Program

The purpose of the Director Program is to enhance the ability of the Company to attract and retain directors who are not Employees ("Non-Employee Directors") through an Option and Cash Compensation program.

1.3 Effective Date of the Program

The Director Program is effective as of the Registration Date, and as revised on April 14, 2005.

ARTICLE II
DEFINITIONS

Capitalized terms in this Director Program, unless otherwise defined herein, have the meaning given to them in the Plan.

ARTICLE III
OPTION TERMS

3.1 Date of Grant and Number of Shares

Effective April 14, 2005, a Non-Qualified Stock Option to purchase 20,000 shares of Common Stock shall be granted (the "Initial Grant") to each Non-Employee Director and 30,000 shares shall be granted to the Non-Employee Chairman of the Board (the "Initial Grant"), and such Initial Grant to be made to Non-Employee Directors elected or appointed to the Board upon the date each such Non-Employee Director first becomes a Non-Employee Director.

Effective April 14, 2005, each Non-Employee Director currently on the Company's Board who did not receive an initial grant upon election or appointment to the board, shall receive an Initial Grant as described above.

Also effective on April 14, 2005, each Non-Employee Director currently on the Company's Board, and who received an initial grant to purchase less than 20,000 shares of Common Stock upon election or appointment to the board, shall receive a grant for the difference so that said board member's initial grant equals 20,000 shares.

In addition, immediately following each annual meeting of the Company's stockholders, commencing with the annual meeting of the Company's stockholders in 2004, each Non-Employee Director who continues as a Non-Employee Director following such annual meeting shall be granted a Non-Qualified Stock Option to purchase 10,000 shares of Common Stock (a "Subsequent Grant"). Based on the Non-Employee Director's election date, the first subsequent grant shall be pro-rated as follows:

Service Period from Election Date	Option Grant Schedule
More than 10 up to 12 months	100% of grant (10,000 shares)
More than 7 months, but less than 10	75% of grant (7,500 shares)
More than 4 months, but less than 7	50% of grant (5,000 shares)
More than 1 month, but less than 4	25% of grant (2,500 shares)

Each such Subsequent Grant shall be made on the date of the annual stockholders' meeting in question.

3.2 Vesting

Each Initial Grant of Common Stock subject to the Option under the Director Program shall vest twenty-five percent (25%) twelve (12) months after the grant date and an additional twenty-five percent (25%) of the shares of Common Stock subject to the Option shall vest on each yearly anniversary of the grant date thereafter, such that the Option will be fully exercisable four (4) years after its date of grant.

Each Subsequent Grant under the Director Program will vest and become exercisable as to all of the shares of Common Stock subject to the Option twelve (12) months after the grant date.

3.3 Exercise Price

The exercise price per share of Common Stock of each Initial Grant and Subsequent Grant shall be one hundred percent (100%) of the Fair Market Value per share on the date of grant.

3.4 Corporate Transaction/Change in Control

Each Option under the Director Program shall be subject to the provisions of Section 11 of the Plan relating to the exercise or termination of the Option in the event of a Corporate Transaction or a Change in Control.

3.5 Other Terms

The Administrator (the "Dynavax Board of Directors") of the Plan shall determine the remaining terms and conditions of the Options awarded under the Program.

ARTICLE IV
CASH COMPENSATION TERMS

4.1 Annual Fees

Each Non-Employee Director currently on the Company's board, or elected in 2005 and thereafter, shall receive an annual retainer fee of $20,000. The Chairman of the Board shall receive an annual retainer fee of $30,000. Such annual retainer fees will be paid quarterly at the end of each fiscal quarter where such person is an active director of the board ("active director" requires attendance at 75% of the annually scheduled board meetings).

4.2 Board Meeting Fees

Each Non-Employee Director will receive a fee of $2,000 for each Board of Directors meeting attended in person or $500 for each Board of Directors meeting attended by telephone.

4.3 Committee Meeting Fees

The Chairman of the Audit Committee shall receive an annual retainer of $15,000. Each member of the audit committee shall receive a fee of $1,500 for each Audit Committee meeting attended in person or $500 for each Audit Committee meeting attended by telephone.

The Chairman of the Compensation Committee shall receive an annual retainer of $6,000. Each member of the compensation committee shall receive a fee of $1,000 for each committee meeting attended in person or $500 for each committee meeting attended by telephone.

The Chairman of the Nominating Committee shall receive an annual retainer of $3,000. Each member of the nominating committee shall receive a fee of $1,000 for each committee meeting attended in person or $500 for each committee meeting attended by telephone.

Such annual retainer fees for chairman of a committee will be paid quarterly at the end of each fiscal quarter where such person is an active Chairman of the Committee and an Active Director. Such committee fees will be paid quarterly at the end of each fiscal quarter where such person is an Active Director.

4.4 Travel and Related Costs

Reasonable travel and related costs associated with attending Board and committee meetings shall be reimbursed. The Board member needs to submit proper documentation for reimbursement.

Exhibit 31.1

Rule 13a-14(a) Certification of Chief Executive Officer

CERTIFICATIONS

I, Dino Dina, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynavax Technologies Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably like to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2006

By: /s/ DINO DINA, M.D.
Dino Dina, M.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

Rule 13a-14(a) Certification of Chief Financial Officer

CERTIFICATIONS

I, Deborah A. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dynavax Technologies Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably like to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2006

By: /s/ DEBORAH A. SMELTZER
Deborah A. Smeltzer
Vice President, Operations and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Dino Dina, M.D., hereby certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of Dynavax Technologies Corporation (the "Company"), that, to the best of my knowledge:

(i) The Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2006

By: /s/ DINO DINA, M.D.
Dino Dina, M.D.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Deborah A. Smeltzer, hereby certify, pursuant to 18 U.S.C § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of Dynavax Technologies Corporation (the "Company"), that, to the best of my knowledge:

(iii) The Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(iv) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2006

By: /s/ DEBORAH A. SMELTZER
Deborah A. Smeltzer
Vice President, Operations and Chief Financial Officer
(Principal Financial Officer)