

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020

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: 001-38957

**ADAPTIVE BIOTECHNOLOGIES CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Washington**  
(State or other jurisdiction of  
incorporation or organization)  
**1551 Eastlake Avenue East, Suite 200**  
**Seattle, Washington**  
(Address of principal executive offices)

**27-0907024**  
(I.R.S. Employer  
Identification No.)

**98102**  
(Zip Code)

Registrant's telephone number, including area code: (206) 659-0067

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	ADPT	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

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  NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Global Select Market on June 30, 2020 (the last business day of the Registrant's most recently completed second fiscal quarter), was approximately \$3,590,000,000.

As of February 19, 2021, the Registrant had 139,219,503 shares of common stock, \$0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders to be held in 2021.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. Some of the statements in the "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and elsewhere in this Annual Report on Form 10-K contain forward-looking statements. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

These statements involve risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe we have a reasonable basis for each forward-looking statement contained in this Annual Report on Form 10-K, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. Forward-looking statements expressed or implied in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the success of our significant investments in our continued research and development of new products and services;
- the success of developing, commercializing and achieving commercial market acceptance of clonoSEQ, T-Detect, immunoSEQ, our TCR-Antigen Map, T cell receptor ("TCR")-based cellular therapies, neutralizing antibody products or processes, such as TruAB, and additional products and services beyond our current portfolio;
- the potential for our identified research priorities to advance our proprietary immune medicine platform or our future products and services;
- the success, cost and timing of our research development activities, preclinical and clinical studies and, in certain instances, clinical trials and clinical validations;
- the potential benefits of collaborations, our ability to enter into collaborations or arrangements, and our ability to attract collaborators with development, manufacturing, regulatory and commercialization expertise;
- the ability and willingness of our collaborators to continue development, manufacturing, distribution and commercialization activities relating to our jointly developed products and services;
- our ability to identify research priorities and apply a risk-mitigated strategy to efficiently discover and develop products and services;
- our ability to obtain and maintain regulatory approval of our products and services;
- our ability, and that of our collaborators, to commercialize our products and services, including products related to COVID-19, such as T-Detect COVID and neutralizing antibodies;
- our ability to obtain equipment and materials (including reagents or other materials that may also require additional internal validation) from our suppliers, and in some cases single suppliers;
- our ability to generate revenue and obtain funding for our operations, including funding necessary to complete further development of our current and future products and services, and if successful, commercialization;
- the size and growth potential of the markets for our products and services, and our ability to serve those markets, either alone or in combination with others;
- the rate and degree of market acceptance of our products and services;
- the potential adverse effect on our business, operations and plans or timelines (including those plans and timelines related to expansion initiatives and clinical development) resulting from a health epidemic or pandemic, including the recent COVID-19 pandemic;
- our financial performance;
- the pricing and reimbursement of our products and services following approval where required;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our immune medicine platform, products, services and related technologies and the direction of such protection;
- regulatory developments in the United States ("U.S.") and foreign countries;
- the success of competing products or services that are or may become available;

- developments relating to our competitors and our industry;
- our ability to attract and retain key scientific or management personnel;
- the impact of laws and regulations; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

In addition, you should refer to the “Risk Factors” section of this Annual Report on Form 10-K for a discussion of other important factors that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report on Form 10-K will prove to be accurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. The forward-looking statements herein represent our views as of the date of this Annual Report on Form 10-K. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Annual Report on Form 10-K.

In this Annual Report on Form 10-K, unless the context requires otherwise, all references to “we,” “our,” “us,” “Adaptive” and the “Company” refer to Adaptive Biotechnologies Corporation.

**Item 1. Business****Overview**

We are advancing the field of immune medicine by harnessing the inherent biology of the adaptive immune system to transform the diagnosis and treatment of disease. We believe the adaptive immune system is nature's most finely tuned diagnostic and therapeutic for most diseases, but the inability to decode it has prevented the medical community from fully leveraging its capabilities. Our immune medicine platform applies our proprietary technologies to read the diverse genetic code of a patient's immune system and aims to understand precisely how the immune system detects and treats disease in that patient. We capture these insights in our dynamic clinical immunomics database, which is underpinned by computational biology and machine learning, and use these insights to develop and commercialize clinical products and services that we are tailoring to each individual patient. We have three commercial products and services and a robust pipeline of clinical products and services that we are designing to diagnose, monitor and enable the treatment of diseases such as cancer, autoimmune conditions and infectious diseases. Since our inception in 2009, we have characterized over 58 billion immune receptors, established partnerships and commercial relationships with 175 biopharmaceutical companies and launched three product lines. Our goal is to understand the adaptive immune system and translate it into new products with unprecedented scale, precision and speed.

Our immune medicine platform is the foundation for our expanding suite of products and services. The cornerstone of our platform and core immunosequencing product, immunoSEQ, serves as our underlying research and development engine and generates revenue from academic and biopharmaceutical customers. Our first clinical diagnostic product, clonoSEQ, is the first test authorized by the Food and Drug Administration ("FDA") for the detection and monitoring of minimal residual disease ("MRD") in patients with multiple myeloma ("MM"), B cell acute lymphoblastic leukemia ("ALL") and chronic lymphocytic leukemia ("CLL") and is also available as a CLIA-validated laboratory developed test ("LDT") for patients with other lymphoid cancers. Leveraging our collaboration with Microsoft Corporation ("Microsoft"), we are creating a map of the interaction between the immune system and disease ("TCR-Antigen Map"). We are using this map to develop research solutions by disease called immunoSEQ T-MAP and a diagnostic product for many diseases from a single blood test called T-Detect. T-Detect was formerly known as immunoSEQ Dx. T-Detect COVID, for which we have applied for Emergency Use Authorization ("EUA"), confirms past SARS-CoV-2 infection, the virus that causes COVID-19, and is also the first indication for the T-Detect product line. We are finalizing clinical validation of T-Detect for Lyme disease and continue to pursue signals for other disease states in parallel. Our therapeutic product candidates, being developed under our collaboration agreement with Genentech, Inc. ("Genentech"), leverage our platform to identify specific receptors on immune cells to develop into cellular therapies in oncology. We believe this approach has the potential to be applicable to patients across a wide range of cancers. We also extended our platform to identify highly potent neutralizing antibodies against SARS-CoV-2 and we believe this differentiated approach may be leveraged across multiple disease states.

Immune medicine is one of the largest global addressable markets in healthcare. We estimate the potential market opportunity for our portfolio to be \$54.7 billion, including \$1.0 billion for research products, \$22.3 billion for clinical diagnostics and \$31.4 billion for cellular therapy in oncology. We use multiple sources and assumptions to estimate the total addressable market for immune medicine. While we believe them to be reasonable, these sources and assumptions may be incorrect or subject to change due to any number of factors. In particular, the indications we choose to commercialize for T-Detect may vary depending on ongoing signal validation and market considerations. In addition, our drug discovery initiatives are still in the early stages of development and the market opportunity excludes neutralizing antibodies, which may make our assumptions and estimates more uncertain. Despite the novelty of this area, we believe we are uniquely positioned to develop and commercialize a pipeline of immune-driven diagnostic and therapeutic products across multiple disease states by leveraging the cumulative learning from our immune medicine platform.

Despite operating with challenges presented by the global COVID-19 pandemic, we were able to achieve and progress towards many key milestones in 2020 in each business area:

- We extended our collaboration with Microsoft to decode the population-wide T-cell immune response to COVID-19. We believe that quantifying virus-specific T cells may provide important research and diagnostic advantages because T cells appear earlier than antibodies and persist longer. Together, we implemented the ImmuneCODE Program to quantitatively assess the T-cell immune response to the virus in over 5,000 individuals from around the world and we have made this data publicly available. As a result of this work, we have broadened our product portfolio in our life sciences research and clinical diagnostic business areas. In addition, we also leveraged these samples to contribute to our research and development efforts to identify potent neutralizing antibodies against the virus, which extended our drug discovery capabilities.

- In clinical diagnostics, we now have two products on the market – clonoSEQ and T-Detect. For clonoSEQ, we grew our test volume by 49% to 15,186 tests delivered. We increased the all-time number of unique patients tested by more than 50% to over 15,000 patients by the end of 2020. We also achieved an expansion of our FDA label to include CLL from both bone marrow and blood and have filed to expand our existing label for ALL in bone marrow to include blood. For T-Detect, we launched the first indication, T-Detect COVID, to confirm past SARS-CoV-2 infection. Our data demonstrates that our T-cell based test outperforms antibody serology to confirm past infection. We will be completing our ImmuneSENSE Lyme clinical validation study and are preparing for commercialization in 2021, and we announced another clinical signal for Crohn’s Disease.
- In life sciences research, we launched the upgraded immunoSEQ RUO kit, which has been selected by 35 core labs and user groups at premier institutions and by two global clinical research organizations (“CROs”), Q2 Solutions LLC (“Q2 Solutions”) and Laboratory Corporation of America Holdings (“Labcorp”), to offer gold standard immunosequencing to their research clientele. In the third quarter, leveraging our work with Microsoft, we launched a new product extension called immunoSEQ T-MAP COVID to accurately and reproducibly measure the T-cell immune response to vaccines and track the persistence of that response over time, and we are in late-stage discussions with several companies developing next-generation vaccines. This is the first application of the immunoSEQ T-MAP product extension whereby we will be offering access to the mapped sequence data generated by our platform. In the fourth quarter of 2020, we entered into our first multi-year immunoSEQ T-MAP cancer collaboration with AstraZeneca plc (“AZ”) to generate data from antigen-specific T-cell immune responses across AZ’s oncology drug portfolio. T-MAP data may inform early disease intervention to help improve patient outcomes, with the potential for additional opportunities to develop companion diagnostic or novel therapeutics with AZ. We also signed two additional collaborations with Genentech and GlaxoSmithKline plc to use the research application of our MRD product to support clinical development and potential regulatory approval or label extensions of novel blood cancer therapies.
- In drug discovery, Genentech is planning to file an investigational new drug (“IND”) submission in the first half of 2021 for our first shared cellular therapy product and we are in late-stage characterization of our next cancer-specific immune receptor that could be selected by Genentech for the potential development of a second shared cellular therapy product. We are scaling our research and development efforts and plan to generate proof of concept data for the personalized approach and are on track to open our dedicated prototype lab in South San Francisco in early 2021. For our neutralizing antibody efforts, we identified several highly potent neutralizing antibodies against SARS-CoV-2 and are in active partnering discussions.
- Key financial highlights for 2020 include full year revenue up 16% to \$98.4 million, cash, cash equivalents and marketable securities of \$806.8 million and clinical sequencing volumes up 50% to 15,216 tests, which now includes both clonoSEQ and T-Detect tests.
- In addition, we expect to complete construction and move into our new corporate headquarters in Seattle, Washington in the second half of 2021. This approximately 100,000 square foot facility is designed to enable us to quadruple our volume over time and allow for continued scaling and growth.

## **Our Immune Medicine Platform**

The adaptive immune system is comprised of specialized cells, called T cells and B cells, which hold the instructions for diagnosing and treating most diseases. These instructions enable these cells to identify, bind and destroy pathogens or human cells presenting foreign signals of disease (“antigens”) using receptors on their cell surface. Unlike all other genes in the human genome, the genetic sequences of TCRs and B cell receptors (“BCRs”) rearrange over time creating massive genetic diversity. The resulting diversity of the adaptive immune repertoire, which consists of over 100 million different genes in a healthy adult compared to approximately 30,000 genes in the static human genome, gives the immune system the ability to detect and respond to millions of different antigens associated with human disease.

Our immune medicine platform combines a suite of proprietary chemistry, computational biology and machine learning to generate clinical immunomics data to decode the adaptive immune system. It extracts and interprets insights from the adaptive immune system with the scale, precision and speed required to enable the design of clinical products tailored to the specific genetics of each patient’s immune system.



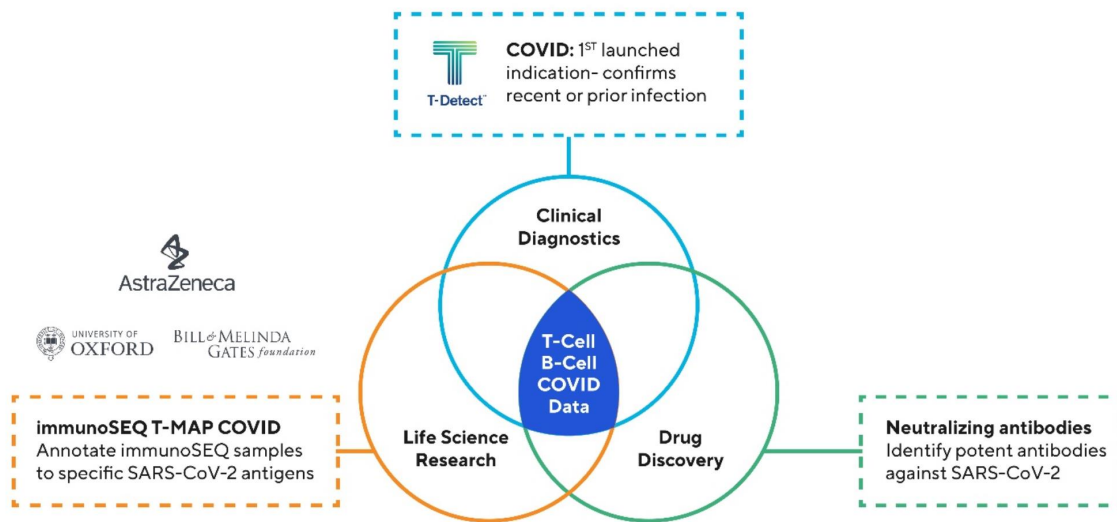
Our immune medicine platform performs the following key functions related to immune receptors:

- *Sequence.* immunoSEQ sequences single chains of “Y-shaped” TCRs or BCRs using next generation sequencing (“NGS”), enabling us to understand the quantity and diversity of T and B cells in a biological sample. This provides deep insights into individual and collective immune responses at a scale that is thousands of times greater than was previously possible.
- *Map.* MIRA (Multiplexed Identification of T cell Receptor Antigen Specificity) maps millions of TCRs to thousands of clinically relevant antigens. Combined with immunoSEQ, MIRA elucidates what potential diseases a patient’s immune system has been exposed to or is actively fighting.
- *Pair.* pairSEQ builds on immunoSEQ by using a combinatorial strategy to accurately pair both chains of Y-shaped immune cell receptors at high-throughput, which is challenging to do at scale using other methods because the two chains of the Y-shaped receptors are located on different chromosomes. The ability to accurately pair both chains of the receptors in a sample enables us to reconstruct receptors for therapeutic purposes.
- *Characterize.* TruTCR characterizes binding, cytotoxicity and safety properties of antigen-specific, paired TCRs to identify a subset that is therapeutic-grade, enabling the discovery and development of optimal clinical candidates to be engineered into TCR-mediated cellular therapies. TruAB is our high-throughput antibody discovery process that enables the selection of potent, naturally occurring, full length antibodies for therapeutic or prophylactic development.

The massive amount of data generated by our immune medicine platform is stored in our dynamic clinical immunomics database of over 58 billion immune receptors. We believe the application of machine learning, supported by our collaboration with Microsoft, has the potential to exponentially accelerate our ability to derive novel insights from this database and use them to inform our robust product development efforts.

The current coronavirus pandemic is highlighting the critical importance of understanding the immune response to disease broadly, making our technology more relevant than ever. We are focused on translating the genetic language of the adaptive immune system into clinical products to diagnose and treat disease, and we are committed to leveraging our immune medicine platform to support the efforts to combat the COVID-19 pandemic.

By elucidating immune receptor data specific to SARS-CoV-2, we developed multiple products. In our research business, for the first time, we offered a product that not only sequences, but also maps the immune response to the virus. This product, called immunoSEQ T-MAP COVID, provides a better way for vaccine developers and researchers to include the T-cell response in their studies. We are pleased to see top-tier vaccine developers recognizing the power of this product. Leveraging the same data, we launched a clinical diagnostic called T-Detect COVID to confirm past infection. In addition, we created an antibody discovery platform to find highly potent neutralizing antibodies against COVID-19 that is applicable not only to the current pandemic, but also in the unfortunate event of future pandemics and other diseases states. Importantly, we believe we can leverage what we accomplished for COVID-19 using disease-specific immune receptor data across other disease states going forward.



We believe COVID-19 brought the role of the immune system to the forefront of society and has created the opportunity for us to be positioned as the “go to” company to rapidly and reproducibly assess the T-cell response to any pathogen, including future pandemics.

### Our Current Products and Pipeline

Our current portfolio includes commercial products and services in life sciences research and clinical diagnostics, and we are developing products and services in both clinical diagnostics and drug discovery. Our commercial research products, immunoSEQ and immunoSEQ T-MAP, primarily serve as our underlying research and development engine to develop and validate our clinical pipeline. We plan to continue to invest in our immune medicine platform to develop additional clinical products, which we prioritize based on clinical actionability, unmet medical need and commercial viability.

### Life Sciences Research

Our immunoSEQ research service and kits are used to answer translational research questions and discover new prognostic and diagnostic signals. Our technology has been used for research purposes by over 2,400 academic researchers and 175 biopharmaceutical companies and incorporated into over 650 clinical trials since our inception in 2009. We have completed development of a next generation, sample-type agnostic research use only (“RUO”) kit that has been selected by 35 academic core labs and user groups in the United States and we continue to expand these collaborations. Additionally, we announced our first distribution agreement with two CROs, Q2 Solutions and Labcorp, and we are in discussions with several others. By enabling academic core labs and CROs as centers of excellence with our gold standard immunoSEQ RUO kit, we expect to set the foundation for long term growth going forward. Importantly, immunoSEQ is analytically validated so that all research data generated using immunoSEQ can be used for clinical validation of potential diagnostic applications.

We launched immunoSEQ T-MAP COVID in August 2020 for vaccine developers and researchers to accurately and reproducibly measure the T-cell immune response to vaccines and track the persistence of that response over time. A key objective with T-MAP COVID is to answer many outstanding questions about durability of COVID-19 vaccines, especially in light of new variants of the virus. Our T-MAP product offers significant advantages over other technologies to detect and monitor T cells at scale using a small amount of blood without the need for live cells that require special sample handling.

To date, we have sequenced a subset of patient samples (pre- and post-vaccination) from clinical trials sponsored by several top-tier vaccine developers, including AZ, University of Oxford, Bill and Melinda Gates Foundation and several prestigious academic labs who are studying the impact of COVID-19 vaccines on patients receiving other immune-mediated therapies. Using our immunoSEQ T-MAP COVID product, we can identify and track expanded T cells induced by a vaccine, which can be distinguished from a natural infection, in order to monitor vaccine efficacy. In vaccinated subjects who test positive for the virus utilizing the two-step multiplex polymerase chain reaction (“PCR”) amplification process, immunoSEQ T-MAP COVID can specifically track vaccine-induced T cells and correlate response with improved patient outcomes. In addition, we are also in late-stage discussions with several companies developing next-generation vaccines.



In the fourth quarter of 2020, we entered into our first multi-year immunoSEQ T-MAP cancer collaboration with AZ to generate data from antigen-specific T-cell immune responses across AZ's oncology drug portfolio. T-MAP data may inform early disease intervention to help improve patient outcomes, with the potential for additional partnership opportunities to develop companion diagnostics or novel therapeutics with AZ. The partnership also allows for data sharing between us and AZ that benefits our independent efforts. We expect this will help expedite our ability to map the large antigenic space in cancer.

### **Clinical Diagnostics**

Our clonoSEQ diagnostic test detects and monitors the remaining number of cancer cells that are present in a patient's body during and after treatment, known as MRD. In September 2018, clonoSEQ was granted marketing authorization from the FDA, under the *de novo* process, for patients with MM and ALL to monitor their MRD from bone marrow samples. In August 2020, the clonoSEQ label was expanded to include patients with CLL from bone marrow and blood samples. clonoSEQ is also available for use in other lymphoid cancers as an LDT. In January 2019, clonoSEQ received Medicare coverage aligned with the FDA label and National Comprehensive Cancer Network ("NCCN") guidelines for longitudinal monitoring in MM and ALL. Throughout 2019 and 2020, we secured additional payor coverage for clonoSEQ aligned with our FDA label with Medicare, national private payors and large regional plans for a total of over 225 million covered lives for ALL and MM and over 110 million covered lives for CLL. clonoSEQ testing has been ordered by clinicians for over 15,000 unique patients and used by more than 40 biopharmaceutical companies in over 190 clinical trials. We continue to deepen our commercial investments to expand clinical adoption of clonoSEQ and have increased the size of our specialized sales and customer support organization and supporting infrastructure in the United States, and we have successfully transferred the technology to seven labs in other parts of the world. We also signed a co-promotion agreement with Labcorp to leverage their growing oncology salesforce to expand our commercial reach and further deepen our market penetration. We believe clonoSEQ has broad applicability across all lymphoid malignancies. We recently submitted a 510(k) premarket notification for ALL from blood samples in February 2021 and are actively advancing validation studies in certain non-Hodgkin's lymphoma ("NHL") subtypes. We are also awaiting results from a clinical study using clonoSEQ to assess MRD in blood for multiple myeloma. Importantly, we have also implemented collaborations with Labcorp and Phlebotek Solutions Corporation ("Phlebotek") to ease access to blood sample collection for patients. We believe these solutions may facilitate more frequent monitoring and benefit patients longer term as they enable a convenient and safe alternative to inpatient visits.

Leveraging Microsoft's machine learning capabilities to create the TCR-Antigen Map, we are developing a diagnostic product, T-Detect, that may enable early or accurate detection of many diseases from a single blood test. Initially, we are validating detection of a set of discrete diseases for which there is a significant unmet medical need for better diagnostic testing and early intervention, and where antigen specificity is well-known. These include infectious diseases, autoimmune disorders and certain prevalent cancer types. In December 2020, we launched an early access program for T-Detect COVID as the first indication of T-Detect, which came a year earlier than originally planned. The formal launch of T-Detect COVID, which includes a virtual provider to authorize the prescription, occurred in February 2021. Leveraging the infrastructure built to support this initial indication, we are on track to launch T-Detect Lyme in our CLIA lab towards the end of 2021. Additionally, we have early clinical signals in gastrointestinal disorders such as Celiac disease and Crohn's disease, and we have built a robust research and development pipeline to rapidly identify signals across many disease states simultaneously. Our immune medicine platform enables parallel development because it can work with retrospective sample sets and uses machine learning and computational statistics to continuously improve our detection and accuracy which is applied to all of the diagnostic algorithms.

For T-Detect, we launched the first indication, T-Detect COVID, to confirm past SARS-CoV-2 infection, which represents a stepping-stone to the long-term vision of T-Detect where a single blood sample can provide information about what diseases a person's immune system has seen or is currently fighting. In two real-world studies with convalescent patients, including our own IRB-sponsored study called ImmuneRACE, our T-cell based test shows higher sensitivity than multiple antibody serology tests to confirm past infection. Additionally, data demonstrates that the T-cell response is more persistent than the antibody response to the virus, persisting to at least five months following initial infection and that the performance of T-Detect COVID is equivalent to or better than antibody testing at all timepoints evaluated. The test was launched in December 2020, primarily targeting groups and individuals for whom knowledge of past COVID-19 infection or exposure is valuable, including self-pay consumers, employers and concierge medicine physician groups. Our market research shows that there are many people who were unable to access testing in spring of 2020 or had unexpected results from antibody or PCR testing, and are still curious or skeptical about a previous infection. This is particularly true for individuals who were asymptomatic or had mild symptoms, in whom antibody testing may be less reliable. Additionally, our research indicates high interest among consumers in understanding immunity to COVID-19. Therefore, we are offering the ability to contribute to on-market research to quantitatively assess the duration of immunity as defined by the persistence of SARS-CoV-2 specific T cells.

T-Detect Lyme is the second indication planned for the T-Detect product line, with an anticipated market launch towards the end of 2021 as a CLIA-service offering, leveraging the infrastructure built for T-Detect COVID. An interim analysis of the ImmuneSense Lyme study comparing our T-cell based diagnostic to current standard of care testing will support the CLIA launch. We have enrolled 91% of the subjects needed for the interim analysis. We intend to continue full enrollment of the 990 subject study, of which approximately 420 will have either a clinical diagnosis or clinical suspicion based on a physician's assessment of Lyme disease. The remaining subjects will include negative controls from both endemic and non-endemic regions and potential cross-reactive diseases. There are approximately 3.4 million Lyme diagnostic tests performed annually. Initially, we are focused on generating data that supports market entry for early and more accurate diagnosis of Lyme disease for patients with non-descript symptoms that are suspected to be caused by Lyme. This population is over 600,000 patients in the US each year.

In terms of other T-Detect indications in the pipeline, we recently confirmed our third clinical signal in Crohn's disease. Crohn's is a gastrointestinal disorder that is often confused with other conditions with similar symptom presentation and there is a significant unmet need for a highly specific and sensitive non-invasive test.

Leveraging acceleration from our T-Detect COVID efforts, we are now able to assess an increasing number of diseases in parallel across the five stages of our research and development pipeline. We begin the process with diseases that meet key market attractiveness criteria such as high unmet medical need, understanding of the antigenic space, and our access to samples with metadata. We then seek early clinical signals in prioritized disease states and continue to refine our modeling for those that appear promising. For each signal, we generate data in several ways: run naïve blood to map receptors to antigens, collaborate on studies with control groups, and leverage a database of unlabeled samples. Once a signal is confirmed in additional independent cohorts and the product profile is deemed attractive, we proceed with a full commercial validation and generation of a locked-down algorithm to take into clinical validation and regulatory submission.

There are many economic advantages of T-Detect both in the research and development stage and as a commercial product. For the research and development pipeline, we leverage the same capital expenditures and workflow for signal generation across all diseases allowing us to study multiple diseases in parallel without requiring substantial workflow adjustments or significant new capital expenditures for specific new disease states. Once commercialized, again, we use the same blood sample and the same underlying chemistry for all diseases with a small incremental investment in software for each individual disease, enabling a long-term high margin profile.

### **Drug Discovery**

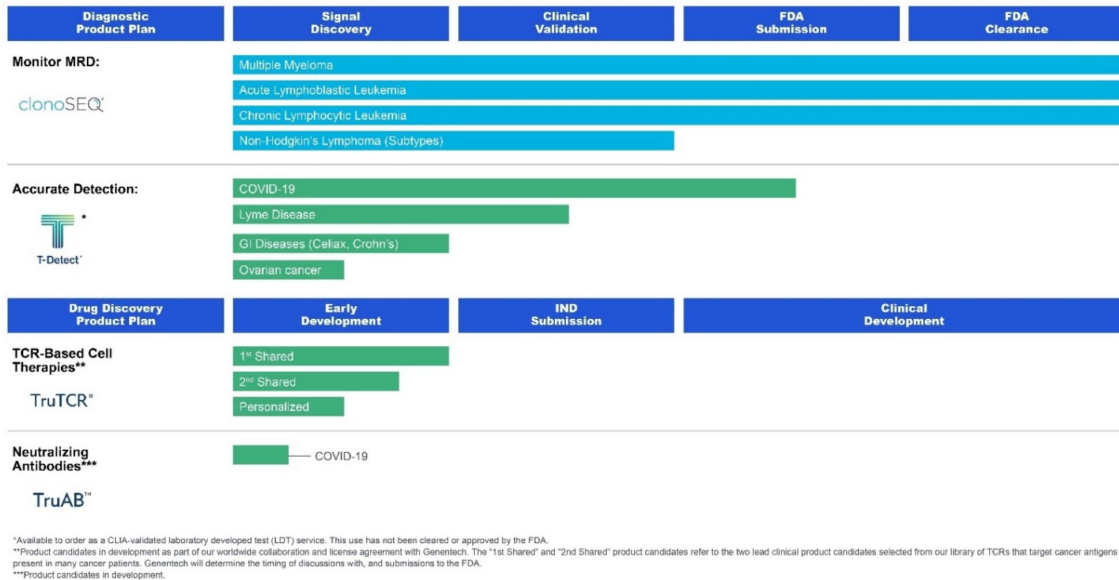
Our drug discovery efforts to date are focused on identifying therapeutic-grade TCRs and antibody-secreting BCRs to enable our partners to engineer, manufacture and commercialize therapeutic candidates.

Our TruTCR process characterizes TCRs against shared antigens for use in the development of therapeutics. In December 2018, we entered into an exclusive collaboration with Genentech to leverage this capability for the development of cellular therapies in oncology. We are pursuing two product development pathways for novel T cell immunotherapies in which Genentech intends to use TCRs screened by our immune medicine platform to engineer and manufacture cellular medicines:

- *Shared Products.* The shared products will use “off-the-shelf” TCRs identified against cancer antigens shared among patients (“Shared Products”). Genentech is planning its first IND submission for the first shared product targeting a selected shared cancer antigen in the first half of 2021. We continue to screen and characterize TCRs against clinically relevant targets in solid tumors and we are in late-stage characterization of several promising TCRs that could be considered by Genentech for the development of a second Shared Product.
- *Personalized Product.* The personalized product will use patient-specific TCRs identified by real-time screening of TCRs against cancer antigens in each patient (“Personalized Product”). In the second half of 2020, we started screening blood from cancer patients to identify TCRs specific to a patient's tumor mutations and our goal is to generate proof of concept data by early 2021. To support our near-term and long-term objectives for our private product, we plan to open our dedicated prototype lab in South San Francisco in 2021, which will have capacity to perform first-in-human clinical trials. We believe this investment positions us to potentially pursue additional opportunities outside of this collaboration, including cellular therapy in other disease states and cancer vaccines.

Our TruAB process, similar to our TruTCR process, leverages our high-throughput capabilities to screen millions of BCRs to identify unique antibodies from the blood of COVID-19 patients. In several months, we used blood from over 300 patients to identify hundreds of thousands of antibodies, of which we synthesized and characterized over 3,300 antibodies that bind to various parts of the SARS-CoV-2 virus. Our lead TruAB candidates that neutralize live virus at very low concentrations, which means that a very small amount of each of these antibodies is able to block the virus from infecting cells. Importantly, our drug discovery approach is differentiated from other groups because of the scale and throughput of our TruAB approach that allows us to identify a much broader set of naturally-occurring, fully human antibody candidates to select the best ones for clinical development. The first potential clinical application of our antibodies is to treat patients who are actively fighting or have recently recovered from COVID-19.

## Our Clinical Portfolio and Pipeline



## Our Competitive Strengths

We aim to harness the inherent biology of the adaptive immune system to develop clinical products and services that improve human health by leveraging our core competitive strengths.

- *Our immune medicine platform is uniquely capable of supporting clinical products.* We have developed a platform that is capable of reading and translating the massive genetic diversity of the adaptive immune system and its selective response to disease. Specifically, our platform *sequences* immune receptors and *maps* them to antigens for diagnostic applications, *pairs* receptor chains and *characterizes* antigen-specific, paired receptors to identify optimal clinical targets for therapeutic use. We are the only company that can perform all of these functions—and we do so at an unprecedented scale to develop novel clinical diagnostic and therapeutic products.
- *Our clinical immunomics database provides a robust product development engine.* Using the adaptive immune system as our source-code, we are building a dynamic clinical immunomics database of over 58 billion immune receptors, now being annotated with antigens using machine learning, that drives our ability to rapidly discover and develop potential diagnostic and therapeutic applications. Our aim is to translate the natural capabilities of the immune system into the clinic by capturing the millions of diverse unique receptors present in a patient's blood.
- *Clinical applicability spans diagnostic and therapeutic product potential.* Our ability to accumulate, synthesize and process billions of immunomic datapoints to generate multiple clinical diagnostic and therapeutic applications across disease areas provides optionality to our commercial pipeline. Each of our products also has broad applicability, enabling robust product lifecycle extensions.
- *Regulatory and reimbursement expertise will help inform future clinical product development.* Having successfully obtained FDA marketing authorization and coverage for clonoSEQ from Medicare and several national private payors, we believe we have developed valuable core capabilities that will facilitate future product development through to regulatory approval and reimbursement. We believe this capability will inform future development of other clinical products, including early detection tests.
- *Transformational collaborations with industry leaders validate our platform.* Our collaborations with industry-defining leaders such as Genentech and Microsoft validate our unique approach to advancing the promise of immune medicine. We will continue to seek opportunities to optimize our ever-growing clinical immunomics database to drive product development and commercial success and facilitate efficient use of capital.
- *Strong intellectual property protects our immune medicine platform and its applications.* As of December 31, 2020, we had filed 451 patent applications, 386 of which had issued as of that date, covering improvements in sequencing methods and new ways to leverage adaptive immune receptors for life sciences research, clinical diagnostic and drug discovery applications.

## Our Strategy

Our focus is to leverage our immune medicine platform and competitive strengths to develop transformative clinical solutions accessible to patients around the world.

- *Powering the age of immune medicine.* We facilitate the development of the immune medicine field by providing a platform to encourage generation of immunomics data to facilitate a deeper understanding of, and biological discovery from, the adaptive immune system. We leverage the unique capability of our platform to translate the genetics of a patient's immune system with the scale, precision and speed required to enable the development of Personalized Products, including clinical diagnostic tests for disease monitoring and early detection, as well as immune-based therapeutics.
- *Rapidly identify and advance new products, leveraging foundational technology.* Integrate proven chemistry into our clinical products in development, avoiding the need to re-engineer new products for every clinical application. We do this by serially identifying new applications of T-Detect for early detection of disease using retrospective datasets without requiring live cells from large cohorts of patients, and by characterizing TCRs for therapeutic use. As our platform expands into new indications across cancer, autoimmune conditions and infectious diseases, we believe we will benefit from economies of scale and drive margin improvement over time.
- *Entrench our products and services in clinical drug development with biopharmaceutical collaborators.* Position our platform as the gold standard for the validation of potential immune-driven clinical discoveries in late-stage clinical trials. Since inception, our products and services have been used by 175 biopharmaceutical companies and incorporated into over 650 clinical trials, and clonoSEQ has proven to be the MRD test of choice for select registrational trials. To deepen our established position as a partner of choice, we provide end-to-end support, including hypothesis-driven trial design, extensive data analyses, parallel regulatory support, compliant data transfers and novel target screening. These synergistic relationships advance the development and adoption of our own clinical products and also inform drug development for our partners.
- *Drive the commercial adoption of distributed, reimbursed and regulated clinical products.* Expand distribution and drive usage of our products and services, including the possibility of developing clinical *in vitro* diagnostic (“IVD”) kits. Leverage the commercial infrastructure built for clonoSEQ to submit clinical data for regulatory clearance of our products and services, expand current payor coverage and provide robust billing and patient access infrastructure for multiple clinical applications.
- *Maintain an entrepreneurial, scientifically rigorous, data-driven and inclusive corporate culture.* Fuel the promise and potential that our platform offers to help patients better manage their disease by translating insights from our world-class team, which includes 124 people with medical or doctoral degrees with expertise in biology, chemistry, bioinformatics, software, drug discovery, development and commercialization, into clinical products and services. We plan to continue to expand our team to advance the promise of immune medicine.

## A Primer: The Adaptive Immune System

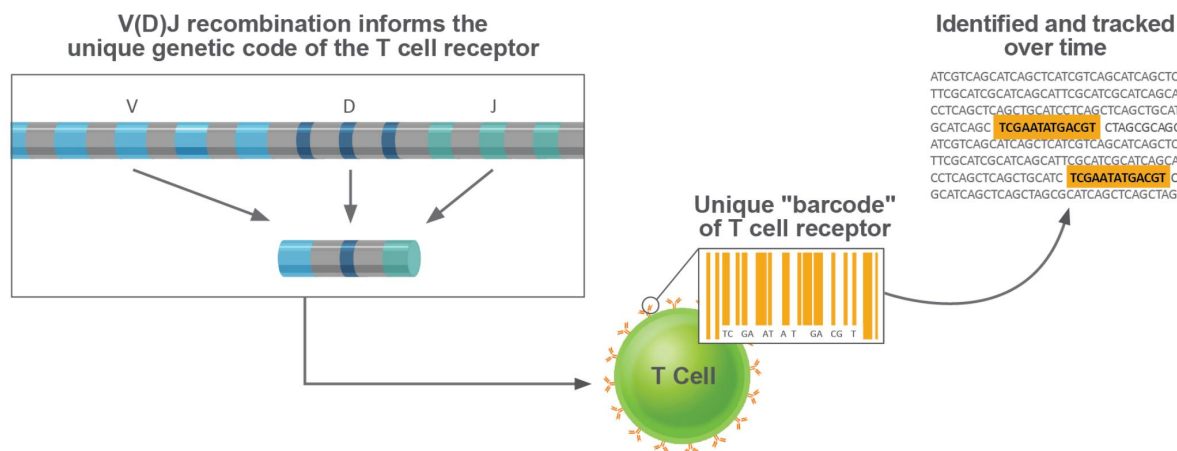
Over millions of years, the adaptive immune system has evolved an elegant solution to keeping people healthy. It recognizes and responds to most antigens, whether they come from outside the body, such as a virus, or inside the body, such as mutations that drive cancer.

The innate and adaptive immune systems both play a role in human immunity, but only the adaptive immune system provides a specific response to signals of disease, or antigens. These disease specific antigens are primarily fragments of proteins that are recognized as foreign, such as proteins from a virus. However, antigens can be recognized as foreign even if they are not from a pathogen. In cancer cells, antigens are generated from neoantigens, which are derived from mutations specific only to the cancer, or tumor associated antigens (“TAAs”), which are from aberrantly expressed normal proteins. For autoimmune disorders, the immune system mistakenly recognizes normal protein fragments as foreign antigens and attacks otherwise healthy tissue.

### *The Adaptive Immune Response*

The key cells of the adaptive immune system that enable our bodies to mount responses against antigens are called T cells and B cells. T cells can destroy target cells directly, and B cells secrete antibodies, activating other parts of the immune system to destroy targets.

Each T and B cell has a unique Y-shaped receptor, which can recognize one or a small number of the millions of antigens to which our bodies are continuously exposed. When an adaptive immune response is initiated against a particular disease, the T cells and B cells encoding the disease-specific targeting receptors rapidly multiply through clonal expansion, allowing for a powerful immune response. Some of these expanded cells directly attack the disease, and others form long-term memory to allow rapid recognition of the same antigens in the future and protect against reinfection. Unlike all other genes in the human genome, the genetic sequences of TCRs and BCRs rearrange over time through a complex biological process resulting in massive diversity. The diversity of these receptors is made possible by a unique reshuffling of their genetic code known as V(D)J recombination (V=Variable, D=Diversity, J=Joining). This recombination process only occurs in T cells and B cells, and it results in each cell clone having a unique receptor-associated deoxyribonucleic acid (“DNA”) sequence. This unique DNA sequence acts like a barcode that can be used to identify and track an individual receptor over time, as shown in the figure below:



The adaptive immune response requires millions of these unique receptors to be widely distributed and present in the blood at all times in order to have the ability to rapidly respond to many different diseases simultaneously. Even after a specific TCR binds to an antigen and clonally expands, the frequency of these expanded T-cell clones containing the TCR remains relatively low in relation to the estimated trillions of other T cells that are circulating. We have demonstrated this by sequencing thousands of healthy individuals for control cohorts for our research and development efforts. We now know that disease-specific TCRs that are clonally expanded in a patient’s blood are present, on average, at less than 1 cell out of 100,000 cells. Despite their relatively low abundance, disease-specific TCRs can mount a systemic, persistent response to most perturbations because of the highly specialized properties of the immune response summarized in the table below:

PROPERTIES	DESCRIPTION
<b>High sensitivity</b>	The adaptive immune system identifies even a very small amount of antigen in the body.
<b>High specificity</b>	TCRs and BCRs specifically bind to this antigen or pieces of this antigen presented on cells, respectively, but normally avoid binding to features on healthy cells.
<b>Natural amplification</b>	Upon binding, the disease-specific T-cells and B-cells expand, or multiply exponentially. So, even when the amount of antigen is small, the number of disease-specific T cells can become quite large and more easily measurable.
<b>Systemic expansion</b>	These expanded T cells and B cells then circulate throughout the body to identify and protect the body systemically, making them readily accessible in blood and other tissues.
<b>Persistence</b>	A fraction of these disease-specific T cells, and the B cells that they direct, move into long term memory and can be found in the blood decades after the disease is cleared.

In order to fully leverage these inherent properties of the immune system to develop clinical products, this enormous diversity and scale must be taken into consideration to be able to reliably and repeatedly measure the relative frequency of each disease-specific T cell in the blood. For example, cancer-specific TCRs circulating in the blood of a cancer patient are only present at 1 out of 100,000 cells. Auto-reactive T cells specific to any given autoimmune disorder circulating in the blood are only present at 1 out of 1,000,000 cells. Accordingly, the ability to detect disease-specific T cells requires a technology that can quantitatively probe a minimum of hundreds of thousands to millions of blood cells from each sample.

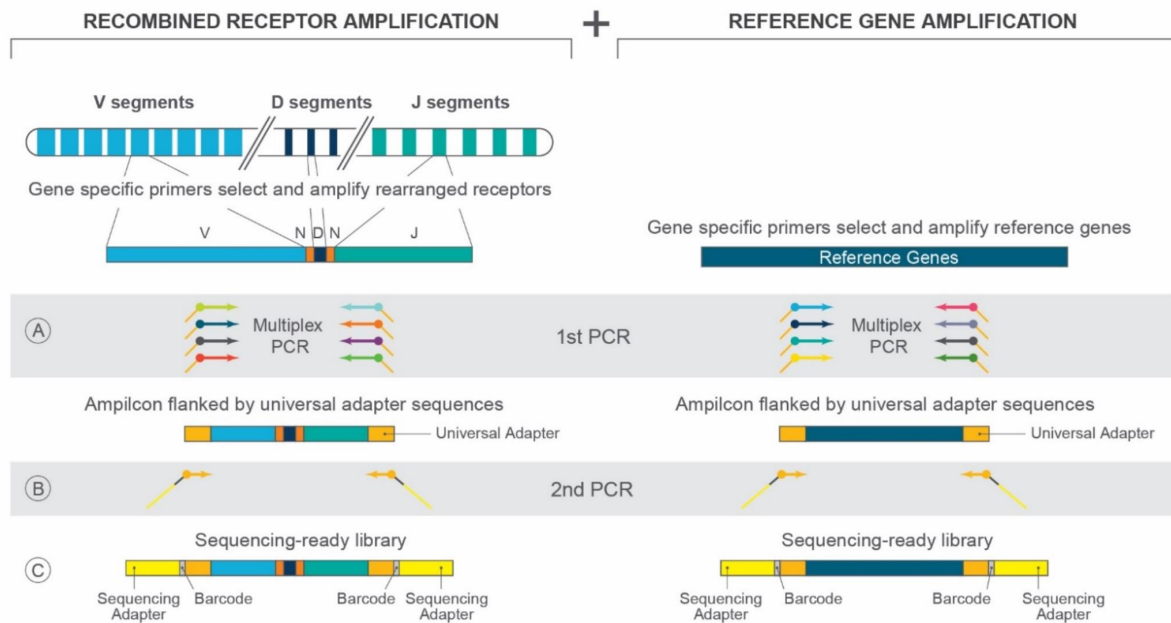
## Our Immune Medicine Platform

We built a platform that can reveal and translate these properties of the adaptive immune system with the scale, precision and speed required to enable the development of Personalized Products, including disease monitoring, clinical diagnostic tests for early detection and immune-based therapeutics. Our immune medicine platform combines a suite of proprietary chemistry, computational biology and machine learning to generate clinical immunomics data to decode the adaptive immune system and transform the diagnosis and treatment of disease.

The massive amount of data generated by our immune medicine platform is stored in our dynamic clinical immunomics database of over 58 billion immune receptors. We believe the application of machine learning with Microsoft has the potential to exponentially accelerate the growth of novel insights from this database, which we expect will further inform our product development efforts, as demonstrated by the growing number of clinical signals we are generating.

## Sequence with immunoSEQ

immunoSEQ sequences single chains of Y-shaped TCRs and BCRs using NGS. NGS generally describes several modern sequencing technologies that enable more efficient DNA and ribonucleic acid (“RNA”) sequencing than prior technologies. The key innovation in the development of immunoSEQ, pioneered by Dr. Harlan Robins and a team of leading immunologists at the Fred Hutchinson Cancer Research Center (“Fred Hutch”), was a novel approach utilizing PCR, hybridization and sequencing of rearranged TCRs to determine the sequences in millions of rearranged TCR genes, as shown in the figure below. We apply a similar approach for BCR sequencing. All of the data generated by immunoSEQ is uploaded to our clinical immunomics database and accessed through our proprietary cloud-based visualization and analytic tool called the immunoSEQ Analyzer.



Note: V, D, and J gene segments are recombined on the human TCRB locus. A) Multiplex PCR to capture the highly variable reference gene (autosomal loci). B) PCR to add barcodes and adapter sequences for high-throughput sequencing. C) Sequencing-ready libraries.

One of the biggest challenges of any multiplex PCR technique is controlling for PCR amplification bias, which is critical for accuracy. We solved for this problem by creating a synthetic immune repertoire that mimics rearranged immune receptor loci for all V and J genes. By identifying specific primers that are either under or over amplified, titrating the primer concentrations and computationally adjusting residual bias, we optimize quantitation. The accuracy and reproducibility of our bias control methodology was demonstrated in our lab and independently in a multi-center, lab-to-lab concordance study using our immunoSEQ RUO kit. The ability to generate an unbiased TCR or BCR sequencing read-out is paramount for any clinical product and will be required for the utility and reliability of clinical kits.

immunoSEQ enables us to observe the majority of receptors involved in a real human immune response, providing deep insights into a complex biological system that was previously challenging to understand.

### Map with MIRA

Our proprietary MIRA technology enables the identification of TCRs specific to thousands of antigens simultaneously. The MIRA technology leverages a multiplexed, combinatorial approach to mapping TCRs to antigens in four steps:

1. Identify and query antigens of interest which can include neoantigens, tumor-associated, viral, infectious, autoimmune or other antigens.
2. Pool the antigens of interest and incubate them with immune cells from multiple donors whereby antigen specificities are determined based on the antigen pool design.
3. Sort T cells by marker of interest.
4. Match T cell clones to specific antigens based on the presence of specific sequences in designated pools.

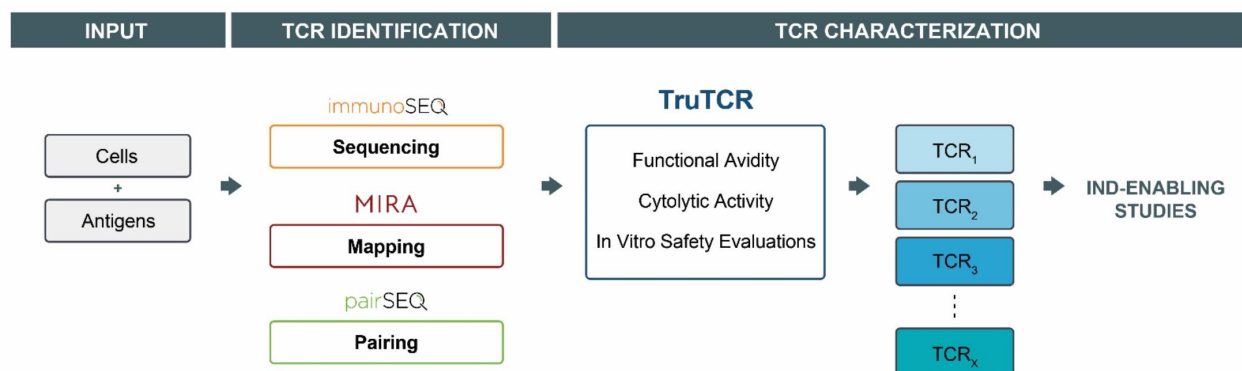
Combined with immunoSEQ, MIRA elucidates what diseases a patient's immune system has been exposed to or is actively fighting at a scale that is one thousand times more sensitive than standard immunological techniques such as ELISPOT, or enzyme-linked immunospot.

### Pair with pairSEQ

Our proprietary pairSEQ technology builds on immunosequencing by using a combinatorial strategy to accurately pair the two chains of Y-shaped immune cell receptors at higher throughput than can be achieved with single cell sequencing. Pairing is difficult because the two chains of the Y-shaped receptor are located on different chromosomes, which get separated when DNA is extracted from a cell for sequencing. By pairing TCRs or BCRs, we rapidly detect thousands of complete chain sequences to develop new TCR-mediated cellular therapies or to develop differentiated antibodies.

### Characterize with TruTCR

TruTCR characterizes binding, cytotoxicity and safety properties of antigen-specific, paired TCRs to identify a select subset that are therapeutic-grade, enabling the development of optimal clinical candidates to be engineered into TCR-mediated cellular therapies. Our comprehensive TCR characterization process utilizes advanced cellular immunology to measure TCRs against a variety of metrics to determine the optimal clinical candidates. Antigen-specific, paired TCRs undergo evaluation for avidity, cytokine release, cytotoxicity and safety. Those TCRs that pass the first safety filter are then evaluated for TCR reactivity against T cell lines and primary cells. To date, we have identified and characterized to different stages more than 4,000 unique antigen-specific TCRs against 600 different clinically relevant targets, constituting our pipeline of possible clinical candidates. TCR characterization using TruTCR is summarized in the figure below:



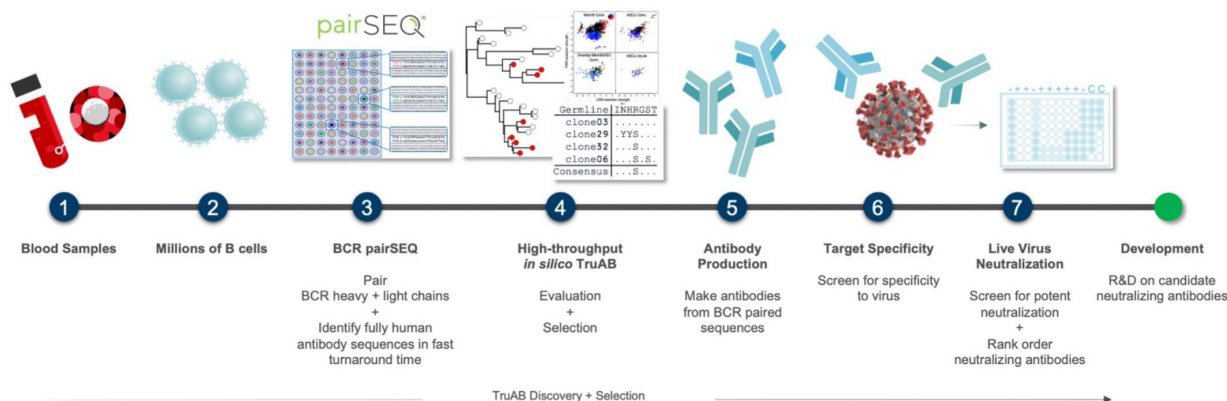


In collaboration with Genentech, we plan to apply a similar process to screen, identify and characterize in real-time what we believe are the most promising patient-specific TCRs targeting the patient's specific cancer antigens, advancing the next generation of cellular therapy in oncology.

### Discover with TruAB

TruAB enables the discovery and characterization of BCRs for use as therapeutic antibodies. Our key differentiator is the ability to tap into the massive diversity of the B-cell repertoire to identify naturally-occurring, fully human antibodies at unprecedented scale.

In April 2020, we deployed our platform to identify neutralizing antibodies to the SARS-CoV-2 virus that causes COVID-19. We processed blood from more than 300 recovered and symptomatic COVID-19 patients. We then applied our high-throughput BCR pairing technology and paired more than 490,000 antibody heavy and light chains. We evaluated these BCR sequences *in silico* and selected more than 3,300 likely attractive antibody candidates for downstream functional characterization, including affinity binding and live virus neutralization.



As of November 12, 2020, Amgen, Inc. declined its option to negotiate an agreement to develop, manufacture and commercialize our neutralizing antibodies against the SARS-CoV-2 virus. We are evaluating several options to further advance our lead candidate(s).

Beyond COVID-19, we believe these efforts represent a differentiated platform extension that will position us to pursue additional potential antibody discovery opportunities in a variety of disease states, including in autoimmunity where there is an unmet need.

### Clinical Immunomics Database

We are developing a large, dynamic clinical immunomics database, which currently contains over 58 billion immune receptors. We use our proprietary software and core competency in computational biology to structure and store immune receptor data and to create tools for rapid analysis and easy visualization. All immunosequencing data is processed and uploaded to a secure cloud-based database.

The record of diseases a person has encountered, both past and present, is recorded in their TCR repertoire. This comprehensive disease information is contained in the immunosequencing data that we generate from each sample, which we believe will be revealed over time by our TCR-Antigen Map. We plan to map, both directly and through machine learning, an estimated 10<sup>15</sup> TCRs to thousands of clinically relevant antigens, which we believe will allow us to annotate this immunosequencing data with information about disease states, increasing the value of the data over time.

We leverage our database to fuel our pipeline of immune medicine products. With over 58 billion immune receptors, our platform enables us to work with retrospective samples which serve as training sets to which our Microsoft collaborators apply machine learning and computational statistics to improve the accuracy of certain of our clinical products and services.



## Our Products and Services

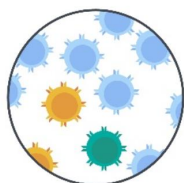
Our current portfolio includes commercial products and services in life sciences research and clinical diagnostics, and we are developing products and services in both clinical diagnostics and drug discovery. Our commercial research product, immunoSEQ, primarily serves as our underlying research and development engine to develop and validate our clinical pipeline. Our first commercial diagnostic product, clonoSEQ, is our FDA-cleared test to monitor MRD in patients with select blood cancers. In the fourth quarter of 2020, we initiated the launch of our second commercial diagnostic product, T-Detect COVID, for the confirmation of past COVID-19 infection. Our commercial research and clinical products leverage the sequencing and mapping capabilities of our immune medicine platform and the revenue generated by these products largely contributes to sequencing revenues. Our pipeline of clinical diagnostics for the early and accurate detection of many diseases will be commercialized under the expanding T-Detect product line and will continue to grow our sequencing revenues over time. Our drug discovery efforts to date are focused on identifying therapeutic-grade TCRs (TruTCR) and antibody-secreting BCRs (TruAB) to enable our partners to engineer, manufacture and commercialize therapeutic candidates. With Genentech, we are advancing our pipeline of both shared and private TCR-mediated cellular therapies for cancer patients. We also extended our platform to identify highly potent neutralizing antibodies against SARS-CoV-2 and this differentiated approach can be leveraged across other disease states. Our drug discovery pipeline leverages the sequencing, mapping, pairing and characterization components of our platform and generates most of our development revenue. We plan to continue to invest in our platform to develop additional clinical applications, which we prioritize based on rigorous data requirements for clinically actionability, unmet medical need and commercial viability.

### Life Sciences Research

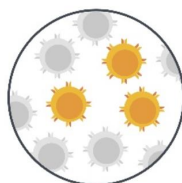
#### *immunoSEQ for Research Use Only*

Our immunoSEQ technology, which we offer to customers as a service and a kit, is the core of our immune medicine platform. immunoSEQ utilizes multiplex, bias-controlled PCR to accurately and quantitatively sequence millions of immune receptors at high-throughput directly from DNA. We believe immunoSEQ is positioned to become the global standard for immunosequencing due to the quality and reliability of our data and the analytics and data visualization tools that are easily accessible to customers in the immunoSEQ Analyzer, whether sequenced as a service or a kit.

Since inception, immunoSEQ has been used for research purposes by over 2,400 academic researchers and 175 biopharmaceutical companies and incorporated into over 650 clinical trials to answer translational research questions relating to the adaptive immune system, monitor response to therapies and discover new prognostic and diagnostic signals. These research questions are answered by using the data generated by immunoSEQ and uploaded to the immunoSEQ Analyzer to study different properties and dynamics of all of the sequences in an immune repertoire, such as frequency or abundance, and by tracking specific sequences over time in clinical trials. Graphical representations of the Analyzer output are shown in the figure below:



**Repertoire  
Properties**



**T-Cell  
Fraction**



**Public  
Clones**



**Mapping**

immunoSEQ provides a growing revenue stream. However, we also use immunoSEQ as the foundational technology for our clinical diagnostic and therapeutic products. To fuel innovation, we also provide immunoSEQ to select research and development collaborators who gain access to immunoSEQ and significant computational and analytical support, co-share and co-publish the data with us, and contribute to the validation of potential clinical diagnostic discoveries. For example, we work closely with our collaborators to conduct translational research to explore the use of immunosequencing to predict responders to novel immunotherapies such as checkpoint inhibitors.

Our immunoSEQ Analyzer is housed on a secure cloud-based database and is the visualization gateway to our clinical immunomics database that currently has billions of TCR and BCR sequences which are often annotated and accompanied by samples with associated metadata. We offer computational services to assist our customers in realizing the power of their data and to compare their data to other publicly available datasets in our clinical immunomics database. We contribute some of our own research and development sequences into the publicly available datasets and customers are offered the option to make their data public using one of our tools on our immunoSEQ Analyzer, called immuneACCESS, through which researchers can expedite and streamline the peer-review process by sharing their data with reviewers prior to manuscript submission. The ongoing analysis of immune receptor data from an expanding database tagged with clinical metadata, when possible, has led to over 550 peer-reviewed publications referencing immunoSEQ and potential clinical signals to explore.

We recently launched an improved version of immunoSEQ to our research customers. We incorporated chemistry improvements into a new RUO kit, which was completed in the fourth quarter of 2019 and launched in 2020. We expect this service and kit offering to become the technology upon which we clinically validate the early detection diagnostics we are developing using our TCR-Antigen Map. The kit improvements will further enhance the quantitation of the data and allow for any sample type to be used, including stored cancer tumor tissue sections, which is more readily available globally amongst researchers in the field of cancer immunotherapy. The RUO kit has been selected by 35 academic core labs and user groups in the United States and we continue to expand these collaborations. Additionally, we announced distribution agreements with two CROs, Q2 Solutions and Labcorp, and we are in discussions with several others. By enabling academic core labs and CROs as centers of excellence with our gold standard immunoSEQ RUO kit, we expect to set the foundation for long term growth going forward.

#### *immunoSEQ T-MAP*

In 2020, we identified some key opportunities to expand our research product offering to include mapping data generating by our platform. Sequences mapped to clinically relevant antigens has many benefits beyond just repertoire sequencing dynamics and we plan to offer immunoSEQ T-MAP across many disease states in the future.

We launched our first immunoSEQ T-MAP product extension in August 2020 for COVID-19 vaccine developers and researchers to accurately and reproducibly measure the T-cell immune response to vaccines and track the persistence of that response over time. Our immunoSEQ T-MAP product offers significant advantages over other technologies to detect and monitor T cells at scale using a small amount of blood without the need for live cells that require special sample handling.

To date, we have sequenced a subset of patient samples (pre- and post-vaccination) from clinical trials sponsored by several top-tier vaccine developers, including AZ, University of Oxford, Bill and Melinda Gates Foundation and several prestigious academic labs who are studying the impact of COVID-19 vaccines on patients receiving other immune-mediated therapies. Using our immunoSEQ T-MAP COVID product, we can identify and track expanded T cells induced by a vaccine, which can be distinguished from a natural infection, in order to monitor vaccine efficacy. In vaccinated subjects who test positive for the virus utilizing the two-step multiplex PCR amplification process, immunoSEQ T-MAP COVID can specifically track vaccine-induced T cells and correlate response with improved patient outcomes. In addition, we are also in late-stage discussions with several companies developing next-generation vaccines.

In the fourth quarter of 2020, we entered into our first multi-year immunoSEQ T-MAP cancer collaboration with AZ to generate data from antigen-specific T-cell immune responses across AZ's oncology drug portfolio. T-MAP data may inform early disease intervention to help improve patient outcomes, with the potential for additional opportunities to develop companion diagnostics or novel therapeutics with AZ. The partnership also allows for data sharing between us and AZ that benefits our independent efforts. We expect this will help expedite our ability to map the large antigenic space in cancer.

#### ***Clinical Diagnostics***

We aim to be a global leader in immune-driven diagnostics for early detection, prognosis and monitoring of disease. To achieve this long-term goal, we are focused on leveraging the sequencing and mapping functions of our immune medicine platform to develop diagnostic tests that meet regulatory standards, are widely reimbursed and are accessible to patients all around the world.

## **Monitoring MRD with clonoSEQ**

Our first diagnostic product, clonoSEQ, is an FDA-authorized NGS test for the detection and monitoring of MRD in bone marrow or blood samples in patients with select lymphoid malignancies in which the malignant cell is derived from a T cell or a B cell. MRD refers to the presence and number of these malignant T or B cells that may remain in a patient's body during and following treatment. Because our technology quantifies the frequency of every T cell or B cell in a sample, we can monitor MRD accurately at a sensitivity of 1 out of 1,000,000 cells, given sufficient sample input. By taking a baseline measurement prior to starting therapy and then tracking the number of cells at several time points following therapy initiation, hematologists can improve their ability to assess treatment response, predict long-term patient outcomes, monitor disease burden over time and detect potential relapse. clonoSEQ is FDA-authorized for patients with MM and ALL from bone marrow samples and for patients with CLL from bone marrow and blood samples. clonoSEQ is also currently available as an LDT for use across lymphoid malignancies and sample types, including those which have not been authorized by the FDA.

NCCN Guidelines recommend using a validated test to measure MRD to define the burden of disease and assess response to therapy in MM and ALL after each treatment stage. NGS MRD testing has been added to these guidelines and we plan to seek expansion of the recommendations to include additional time points in each disease state and to incorporate clonoSEQ specific data. To that end, in 2020, NCCN published favorable updates to their myeloma guidelines and pediatric ALL guidelines to include more specifics related to how and when to measure MRD, the importance of using a sensitive and validated test, and a reference to the necessity of collecting a baseline sample at diagnosis.

MRD monitoring is becoming increasingly important in the hematologic oncology field because highly effective new therapies are extending survival. This has created a need for more sensitive tools to monitor the disease status of patients over longer periods of time and has introduced the potential for MRD to be included as a surrogate or primary endpoint in registrational clinical trials. We believe we are uniquely positioned to benefit from these industry dynamics with both our clinical and biopharmaceutical customers.

In the clinic, clonoSEQ testing has been ordered by clinicians at centers all around the country, including all 30 NCCN centers, for over 15,000 unique patients. We believe increased adoption of clonoSEQ will now be possible due to the extensive coverage policies granted in 2019 and 2020 by Medicare to assess MRD at multiple time points throughout therapy in MM, ALL and CLL, and several national private payors and large regional payors, together representing over 225 million total covered lives in ALL and MM and over 110 million covered lives in CLL. We are in active discussions with other large private national and regional payors. To further develop the mounting real world evidence demonstrating the actionability of MRD monitoring, we launched a clinical registry in 2020. This prospective, multicenter, observational study will include approximately 500 adult patients with lymphoid malignancies in the United States.

Among biopharmaceutical companies, we believe clonoSEQ will remain the preferred commercial test for MRD monitoring in their registrational trials. To that end, clonoSEQ is now being used by more than 40 biopharmaceutical companies in over 190 clinical trials. To continue demonstrating clinical utility across disease settings and lines of therapy, clonoSEQ is also being used in 79 ongoing prospective investigator-led clinical trials, and our MRD data have been included in over 92 peer-reviewed publications.

We believe clonoSEQ has broad applicability across all lymphoid malignancies. Specifically, we recently submitted a 510(k) premarket notification for ALL from blood samples in February 2021 and are actively validating the test for patients with non-Hodgkin's lymphoma ("NHL") disease types. Importantly, we have also implemented collaborations with Labcorp and Phlebotek to ease access to blood sample collection for patients. We believe these solutions may facilitate more frequent monitoring and benefit patients longer term as they enable a convenient and safe alternative to inpatient visits.

We continue to deepen our commercial investments to expand clinical adoption of clonoSEQ and have increased the size of our specialized sales and customer support organization and supporting infrastructure. We have also added a new team of demand generation representatives who are hematology specialists and are working closely with our key account managers in accounts that are onboarded. We are also building another team focused on Integrated Delivery Networks. Outside of the United States, we have successfully transferred the technology to seven labs across France, Germany, Italy, UK, Spain, Australia and Japan which provide local testing options, primarily in support of collaborative group and investigator-sponsored studies.

### *The Technology*

clonoSEQ is our FDA-authorized, NGS MRD technology that is designed to sequence all rearranged receptor sequences in a tumor in parallel to ensure accurate, sensitive and robust MRD monitoring.

A summary of the steps for FDA-authorized usage is as follows:

1. gDNA is extracted from bone marrow.
2. Extracted DNA quality is assessed, and rearranged immune receptors are amplified using a multiplex PCR.
3. Reaction-specific index barcode sequences for sample identification are added to the amplified receptor sequences by PCR.

4. Sequencing libraries are prepared from barcoded amplified DNA which are then sequenced by synthesis using NGS.
5. Raw sequence data are uploaded from the sequencing instrument to our analysis pipeline.
6. Sequence data is analyzed in a multi-step process, where a sample's sequence data is first identified using the sample index sequences and the data is then processed using a proprietary algorithm with in-line controls to remove amplification bias.
7. Following completion of these data processing steps, a report is issued.

#### *Adaptive Assist: Patient support program*

Adaptive Assist is our patient support program to facilitate access to clonoSEQ testing services for patients who could benefit from the clinical insights provided by NGS MRD testing. Patients can call to discuss their individual circumstances with one of our dedicated patient support representatives in order to better understand their coverage prior to clonoSEQ testing and to navigate the insurance process, including appeals for denied claims. We also offer financial assistance for qualified uninsured and under-insured patients who cannot afford their patient financial responsibility for clonoSEQ.

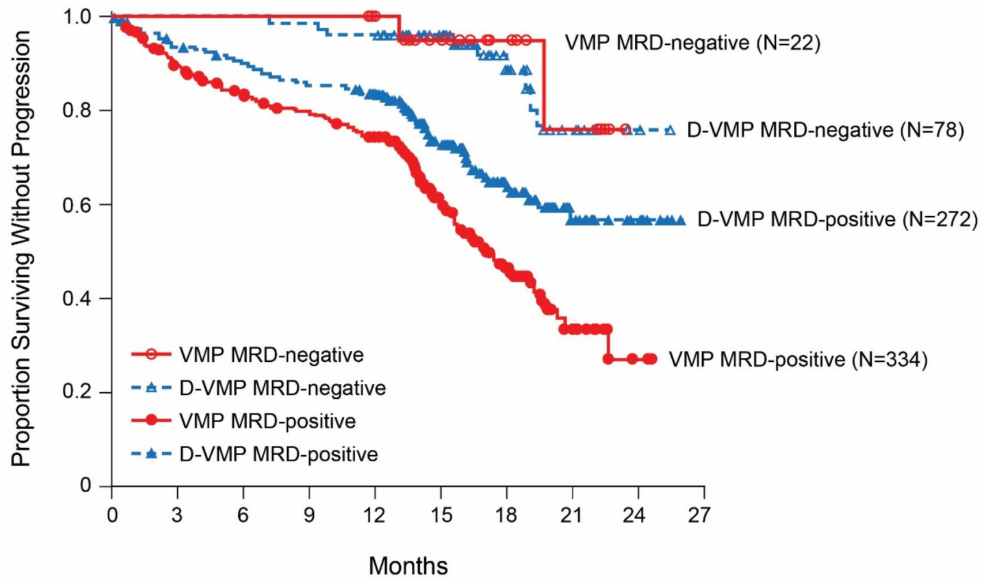
#### *Clinical Validation in FDA Filing for MM, ALL and CLL*

Our clonoSEQ test has been shown to help better predict patient outcomes and add insight to the evaluation of disease response to therapy because we have clinically validated clonoSEQ's ability to detect MRD at a sensitivity greater than the current clinical standard for all lymphoid malignancies. clonoSEQ has demonstrated sensitivity of 1 out of 1,000,000 cells ( $10^{-6}$ ), given sufficient sample input, which is a deeper resolution than the current accepted standard of 1 out of 100,000 cells ( $10^{-5}$ ), 1 out of 10,000 cells ( $10^{-4}$ ) or 1 out of 10,000 cells ( $10^{-4}$ ) for MM, ALL and CLL, respectively. Based on these results, as further illustrated below, we believe clinical standards for MRD sensitivity may be increased to  $10^{-6}$  to better predict patient outcomes.

Clinical validation in MM was demonstrated in two studies. The first study, a 720 patient, randomized phase III trial conducted at the Dana Farber Cancer Institute (DFCI 10-106), evaluated the ability to predict progression-free survival ("PFS") and disease-free survival in patients who achieved complete response ("CR") and the ability to predict PFS in all evaluable patients. This study demonstrates that MRD negativity for patients in CR significantly predicts PFS.

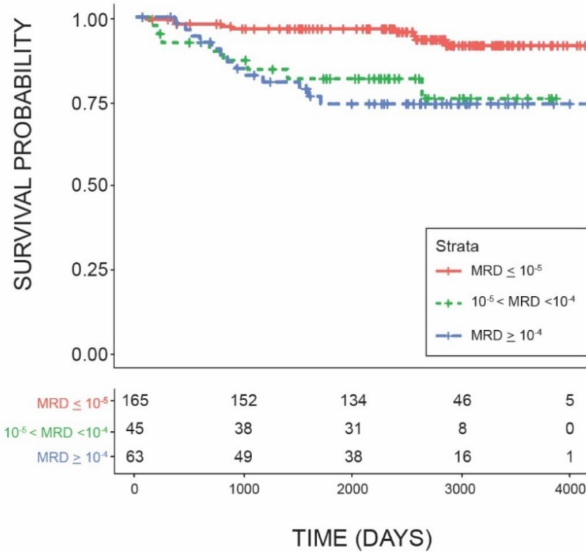
The second study, a 706 patient, randomized phase III trial sponsored by Janssen Biotech, Inc. ("ALCYONE"), evaluated Darzalex in patients with newly diagnosed MM who were transplant ineligible and served as the basis of the approval of Darzalex in combination with Bortezomib, Melphalan and Prednisone ("VMP") in this patient population. This study provides evidence that our clonoSEQ diagnostic test is predictive of PFS, regardless of treatment received. Patients who were MRD negative at less than or equal to  $10^{-5}$  had longer PFS and the group with persistent MRD negativity had the longest PFS overall.

**Patients who were MRD negative by the clonoSEQ Assay had longer PFS compared to MRD positive patients regardless of treatment.**



Clinical validation in ALL was demonstrated in two Children’s Oncology Group studies, AALL0232 (high risk) and AALL0331 (standard risk) by evaluating the ability of clonoSEQ to predict event-free survival (“EFS”) at a primary cutoff of  $10^{-4}$  and across a continuous MRD measure. Results demonstrate that patients with the lowest levels of MRD have better outcomes than patients with higher disease burden regardless of risk stratification.

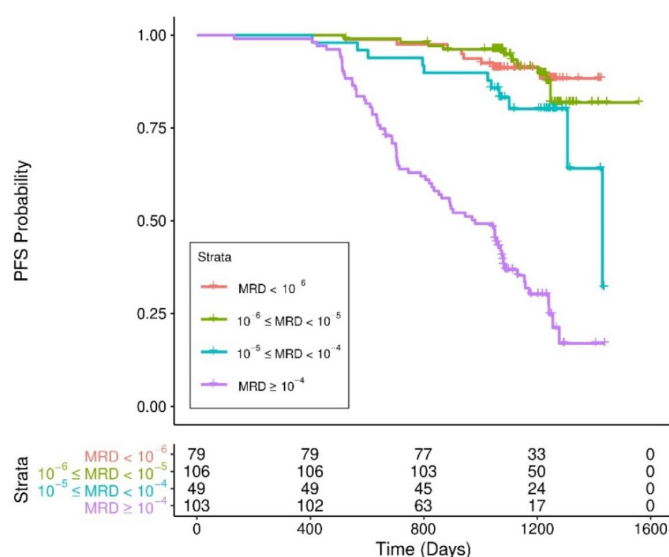
**Patients with lower levels of MRD (less than  $1/100,000$  cells), using the increased sensitivity of clonoSEQ, have a higher probability of EFS.**



Clinical validation in CLL was demonstrated in two studies. The first, a 337 patient randomized phase III registrational study in previously untreated CLL patients sponsored by Roche (CLL14), evaluated the ability of clonoSEQ to predict PFS at a primary cutoff of  $10^{-5}$  and across continuous MRD measures from blood. The study demonstrates that MRD negative patients had significantly better PFS, independent of treatment regimen.

The second was a prospective, phase 2 clinical trial in previously untreated CLL patients in which MRD was assessed from both blood and bone marrow. MRD negativity at multiple cutoffs ( $10^{-4}$ ,  $10^{-5}$ , and  $10^{-6}$ ) was significantly associated with better PFS. MRD was also prognostic of PFS when disease burden was assessed as a continuous measure (no MRD threshold). This study demonstrates that MRD is predictive of better PFS and can be assessed from either bone marrow or blood.

### CLL Patients with lower levels of MRD in blood have a higher probability of EFS



### Strategy to Achieve Market Leadership

We aim to drive adoption and achieve market leadership for MRD monitoring with clonoSEQ for all lymphoid malignancies. To do so, we are executing upon the following strategic initiatives:

- *Expand reimbursement with public and private payors.* We are working with new payors to develop appropriate coverage policies, generate healthcare economic information and provide robust billing and patient access infrastructure. As of December 31, 2020, we secured Medicare and private payor coverage for clonoSEQ for over 225 million covered lives for MM and ALL and over 110 million covered lives for CLL. We continue to seek broader coverage in line with our planned FDA label expansions and we continue to invest in health economic research and real-world evidence generation to demonstrate the actionability of MRD monitoring. We launched a watch registry in 2020 as a prospective, multicenter, observational study of approximately 500 adult patients with lymphoid malignancies in the United States to support these efforts.
- *Entrench clonoSEQ in biopharmaceutical clinical trials.* As the industry pursues the inclusion of MRD as a potential surrogate or primary endpoint in clinical trials for lymphoid malignancies, having a standardized and highly accurate and sensitive method for MRD testing to guide clinical decisions in late-stage trials, including registrational trials, is valuable. Our goal is to position clonoSEQ for use by our biopharmaceutical collaborators as the MRD test of choice for these clinical trials.
- *Validate clonoSEQ in additional indications for use.* With the end goal of clonoSEQ becoming a universal MRD test for all lymphoid malignancies, we have developed a robust lifecycle development plan to generate sufficient clinical evidence to support the extension of the FDA label across lymphoid malignancies. We are already cleared in ALL and MM from bone marrow and CLL from bone marrow and blood. At the same time, we are increasing marketing support for clonoSEQ usage as a CLIA-validated lab-developed testing service, where samples for any lymphoid cancer indication and a range of sample types (including blood) are acceptable, and payer coverage is already in place for blood-based testing in ALL and myeloma. Going forward, we will continue to evaluate the optimal commercial path (FDA or CLIA) for each additional indication.

- *Validate clonoSEQ in blood to offer a minimally invasive alternative.* Testing with blood is less invasive for patients and less expensive as compared to MRD testing from bone marrow samples, and it may only be possible because of the deep sensitivity of our clonoSEQ diagnostic test. Therefore, blood-based MRD testing may enable more frequent monitoring of patients over longer periods of time. We have already received FDA clearance for clonoSEQ from blood samples for patients with CLL, we recently submitted for FDA clearance for ALL from blood samples, and we will continue to expand testing with blood to other indications over time.
- *Invest in commercial initiatives to increase awareness and usage.* We are expanding our sales organization to target key customer segments, including academic centers, integrated health networks and community clinicians, in a tiered manner based on patient volume. In 2019 and 2020, we focused on Tier 1 and Tier 2 accounts, which we estimate to be the sites of care for approximately two-thirds of the patients that comprise the potential market. With increasing adoption and our recent CLL label expansion, we are beginning to drive uptake in Tier 3 community accounts. We will continue to increase the size of our specialized sales organization and supporting infrastructure, including building out our teams focused on community oncology centers and integrated delivery networks. We also launched a variety of patient educational initiatives and peer to peer programming to spread awareness about the impact of MRD status to inform clinical decision-making.
- *Evaluate a decentralized testing solution.* We continue to explore options to service the MRD opportunity in institutions and markets where local testing is needed or required.
- *Expand internationally.* We have expanded our technology transfer program to select centers to conduct investigational studies that further demonstrate the value of clonoSEQ and are essential for reimbursement submissions. We have already completed successful technology transfers in France, Germany, Italy, UK, Spain, Australia and Japan. In 2019, we obtained a Conformité Européenne (“CE”) mark for our clonoSEQ reagents, which is intended to support our reimbursement efforts in Europe. We expect these market development activities to enhance our commercialization efforts and accelerate international market acceptance over the next three to five years.

### ***Early or Accurate Detection with T-Detect***

By learning to read the antigen specificity of a patient’s immune system, we are developing the T-Detect test for early or accurate detection across a broad range of diseases, including infectious diseases, autoimmune disorders, and certain prevalent cancer types. We believe the adaptive immune system presents an ideal model for diagnostic tools for early or accurate detection of disease. In many cases, treatment is typically most effective early in the course of a disease, when there is a minimal amount of disease-specific antigen present. TCRs recognize this very small amount of antigen before it is detectable by conventional methods and then they expand exponentially. Given this large response in proportion to the amount of antigen present, we believe we will be able to see this signal of disease much sooner than is possible with other methods of early disease detection. Additionally, in some disease states, knowledge of prior infection from certain pathogens, e.g., COVID-19 and Lyme, may inform the basis of clinical decision-making or ongoing patient care. Finally, the ability to rapidly and accurately identify the cause of non-descript symptoms may increase efficiency and compress the timeline between symptom and diagnosis, thus reducing the diagnostic odyssey that patients often endure in the current diagnostic paradigm.

We are leveraging our existing immunoSEQ technology to develop T-Detect for the early or accurate detection of many diseases simultaneously. This is possible because our platform works with retrospective sample sets and uses machine learning and computational statistics to continuously improve accuracy without requiring large cohorts of prospective patients. We began by developing T-Detect for the early detection of specific disease states that meet the following criteria:

- Clinically relevant antigens are known and understood.
- High unmet medical need for diagnosis.
- Potential to improve patient outcomes with early intervention.
- Availability of sample sets with patient outcomes.

Using these data, we aim to simulate the natural diagnostic capability of the immune system into the clinic where we will use the map for the early or accurate detection of many diseases. The potential economic model for T-Detect of becoming "one test with many results" is very compelling. When multiple tests are ordered at the same time, the marginal cost for each additional test result is negligible.

Through iterative data generation efforts, we continue to improve the accuracy of the TCR signatures of each disease by running blood samples from healthy donors, collaborating on retrospective studies with control groups in select disease states, and leveraging our database for additional sequences to include in the TCR signatures.

We see the evolution of T-Detect in three phases over time:

- Phase I: Launch T-Detect disease by disease with a more accurate test versus current standard of care.
- Phase II: Introduce T-Detect panel(s) for the differentiated diagnosis of disease when the symptoms are shared among several diseases.
- Phase III: Enable T-Detect for population immunomics, where anything we map, we will be able to diagnose from a single blood sample.

### Proof of Concept

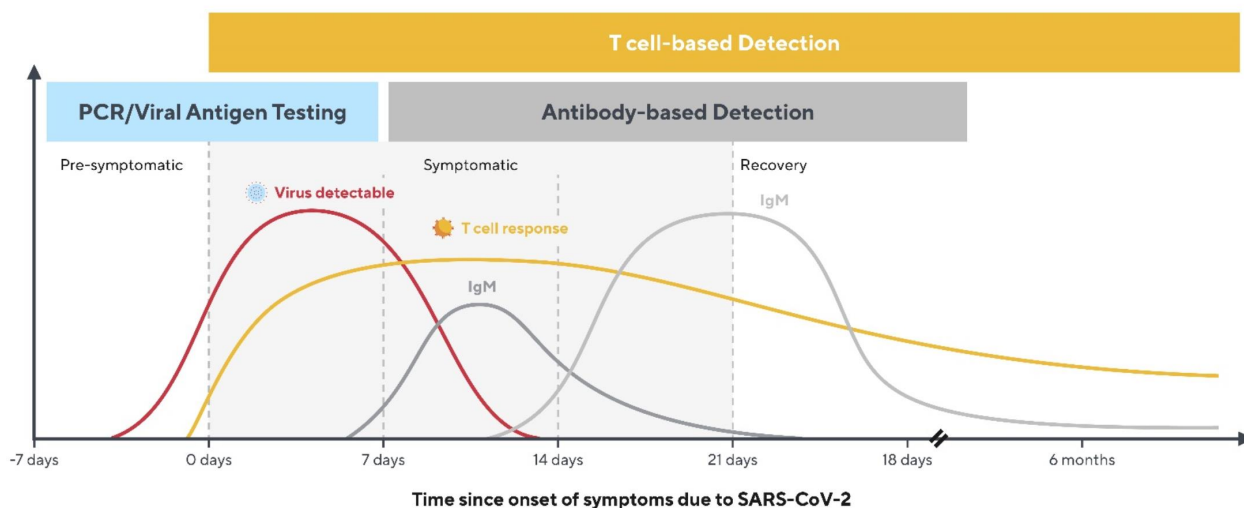
For proof of concept of the ability of our technology to detect infectious disease exposure in patients, our researchers profiled the T cell repertoire of more than 660 subjects with known cytomegalovirus (“CMV”) status and identified a set of TCRs across that population that are specific for CMV. This set of CMV-specific TCRs was then tested as a method for CMV diagnosis in a new cohort of 120 people. Using this TCR set, we were able to confirm CMV infection in up to 93% of blood samples evaluated. These data represent a significant step forward for the potential use of TCR sequences to detect exposure to pathogens or other diseases with distinct T cell profiles.

By combining the power of our clinical immunomics database with a machine learning technique known as pseudo-labeling, we are rapidly scaling the identification and validation of antigen-specific TCRs for diagnostic applications. For example, we have already iteratively scaled the identification of additional CMV-specific TCRs to improve the diagnostic accuracy in our proof of concept study to 98% with a minimal false positive rate. We believe this approach has the potential to significantly reduce the time and number of individuals, and ultimately the cost, required to accurately validate our clinical diagnostics across different diseases.

### First Commercial Indication: T-Detect COVID

In response to the COVID-19 pandemic, we and Microsoft committed to decode the population-wide T cell immune response to COVID-19. We believe that quantifying virus-specific T cells may provide important diagnostic advantages because T cells appear earlier than antibodies and persist longer.

### Timing and Persistence of T-cell Response<sup>1,2,3,4,5,6,7</sup>



1. Gallais et al., Peng et al., Snyder et al., Subbarao et al., Channappanavar et al., and Zuo et al.
2. Zuo J, Dowell A, Pearce H, Verma K, Long HM, Begum J, et al. Robust SARS-CoV-2-specific T-cell immunity is maintained at 6 months following primary infection. *bioRxiv*. 2020 Nov 2;2020.11.01.362319.
3. Gallais F, Velay A, Wendling M-J, Nazon C, Partisani M, Sibilia J, et al. Intrafamilial exposure to SARS-CoV-2 induces cellular immune response without seroconversion. *medRxiv*. 2020 Jun 22;2020.06.21.20132449.
4. Peng Y, Mentzer AJ, Liu G, Yao X, Yin Z, Dong D, et al. Broad and strong memory CD4+ and CD8+ T cells induced by SARS-CoV-2 in UK convalescent individuals following COVID-19. *Nat Immunol*. 2020;21(11):1336–45.
5. Snyder TM, Gittelman RM, Klinger M, May DH, Osborne EJ, Taniguchi R, et al. Magnitude and dynamics of the T-cell response to SARS-CoV-2 infection at both individual and population levels. *MedRxiv*. 2020 Aug 4. 2020.07.31.20165647.
6. Subbarao K, Mahanty S. Respiratory virus infections: Understanding COVID-19. *Immunity*. 2020;52(6):905–9.
7. Channappanavar R, Zhao J, Perlman S. T cell-mediated immune response to respiratory coronaviruses. *Immunol Res*. 2014;59(1–3):118–28.



Together, we implemented the immuneCODE Program to quantitatively assess the T-cell immune response to the virus in over 5,000 individuals from around the world and we have made this data publicly available. To date, we have mapped hundreds of thousands of TCRs to all of the immunogenic parts of the SARS-CoV-2 virus, inclusive of but not limited to the spike protein.

T-Detect COVID confirms past SARS-CoV-2 infection, which represents a stepping-stone to the long-term vision of T-Detect where a blood sample can provide information about what diseases a person’s immune system has seen or is currently fighting. In two real-world studies with convalescent patients, including our own IRB-sponsored study called ImmuneRACE, our T-cell based test demonstrated higher sensitivity than multiple antibody serology tests to confirm past infection. Additionally, data demonstrates that the T-cell response is more persistent than the antibody response to the virus, persisting to at least five months following initial infection, and performance of T-Detect COVID is equivalent to or better than antibody testing at all timepoints evaluated.

T-Detect COVID was launched in December 2020, primarily targeting groups and individuals for whom knowledge of past COVID-19 infection or exposure is valuable, including self-pay consumers, employers and concierge medicine physician groups. Our market research shows that there are many people who were unable to access testing in spring of 2020 or had unexpected results from antibody or PCR testing, and are still curious or skeptical about a previous infection. This is particularly true for individuals who were asymptomatic or had mild symptoms, in whom antibody testing may be less reliable. Additionally, our research indicates high interest among consumers in understanding immunity to COVID-19. Therefore, we are offering the ability to contribute to on-market research to quantitatively assess the duration of immunity as defined by the persistence of SARS-CoV-2 specific T cells.

The commercial and operational infrastructure needed to deliver T-Detect COVID will be critical as we move T-Detect forward in additional indications. These efforts will set the base of our near-term commercial focus in infectious diseases including COVID-19 and Lyme disease and a medium-term expansion into autoimmune disorders.

#### *Clinical Validation in FDA EUA filing for Detection of Recent or Past SARS-CoV-2 Infection*

Our T-Detect COVID test is a novel T-cell based assay that has demonstrated high percent positive and percent negative agreement (PPA and NPA) to identify or exclude prior SARS-CoV-2 infection in PCR-confirmed SARS-CoV-2 cases and lack of cross-reactivity to several viral and/or respiratory pathogens.

PPA was demonstrated in two studies 1) a primary PPA study evaluating residual blood samples (N=205) from subjects diagnosed with SARS-CoV-2 infection based on the EUA Abbott RealTime SARS-CoV-2 RT-PCR test from a single US reference lab (Discovery Life Sciences, New York); and 2) a secondary PPA study using both retrospectively and prospectively collected samples from multiple cohorts (N=77; ImmuneRACE and ImmuneSense™ COVID-19) and identified as positive based on a variety of EUA testing methods performed by a number of different labs. T-Detect COVID demonstrated high PPA particularly in the timeframe of ≥15 days since diagnosis (97.1%) as well as ≥15 days since symptom onset (94.5%) (Table 1).

**Table 1. Positive Percent Agreement (PPA) of T-Detect COVID Assay with SARS-CoV-2 RT-PCR according to days since symptom onset or days since diagnosis.**

<b>Days Since Diagnosis</b>	<b>RT-PCR+ Samples (N)</b>	<b>T-Detect Positive (N)</b>	<b>T-Detect PPA (95% CI)</b>
0-7 days	35	25	71.4 (53.7 - 85.4)
8-14 days	33	31	93.9 (92.7 - 99.3)
≥15 days	137	133	97.1 (92.7 - 99.2)
All (range 0-91 days)	205	N/A	N/A
<b>Days Since Symptom Onset</b>			
0-7 days	13	7	53.8 (25.1 - 80.8)
8-14 days	9	7	77.8 (40.0 - 97.2)
≥15 days	55	52	94.5 (84.9 - 98.9)
All (range 0-106 days)	77	N/A	N/A

NPA was demonstrated in two studies: 1) a primary NPA including 124 retrospective frozen clinical remnant blood samples collected prior to December 2019 and thus presumed negative for SARS-CoV-2 infection; and 2) a secondary NPA study using blood samples from subjects enrolled prospectively (ImmuneSense COVID-19) from Oct-Nov 2020 who presented with SARS-CoV-2 symptoms but tested negative for SARS-CoV-2 using RT-PCR EUA, BioFire RP V2.1, and EUA antibody tests.

T-Detect COVID demonstrated NPA of approximately 100% in individuals who had compatible symptoms of infection but were either presumed or confirmed negative for SARS-CoV-2 by PCR and antibody testing (Table 2).

**Table 2. Negative Percent Agreement (NPA) of T-Detect COVID Assay with pre-pandemic samples sourced retrospectively (DLS) and prospectively enrolled subjects (ImmuneSense COVID-19) negative for SARS-CoV-2 by EUA RT-PCR and antibody testing.**

Cohort	Samples (N)	T-Detect Negative Results (N)	NPA (95% CI)
DLS	87	87	100 (95.8 – 100)
ImmuneSense COVID-19	79	78	98.7 (93.1 – 99.97)

#### *Second Indication in Late-Stage Development: T-Detect Lyme*

In the third quarter of 2019, we established proof of concept in acute Lyme disease from two independent, retrospective cohorts of over 200 patients. In both of these studies, we compared to standard of care, two-tiered serology testing. Results demonstrate a doubling of sensitivity of our test compared to standard two-tiered serology in acute patients. We have also seen that our test can confirm an ongoing infection in patients who were treated with standard 2-3 weeks of doxycycline but still have lingering symptoms. The signal in Lyme further demonstrates that machine learning can be leveraged to develop diagnostic signals, even without the large cohorts of prospective patient data often required for diagnostics development.

For T-Detect Lyme, we launched the ImmuneSENSE Lyme study with the goal to enroll 990 participants. Even though Lyme visits and diagnoses were down in 2020 due to COVID-19, by the end of 2020, we enrolled 91% of the subjects needed for the interim analysis. We intend to continue full enrollment of the 990 subject study, of which approximately 420 will have either a clinical diagnosis or clinical suspicion based on a physician's assessment of Lyme disease. The remaining subjects will include negative controls from both endemic and non-endemic regions and potential cross-reactive diseases. We expect to launch as a CLIA-service offering at the end of 2021, leveraging the infrastructure built for T-Detect COVID.

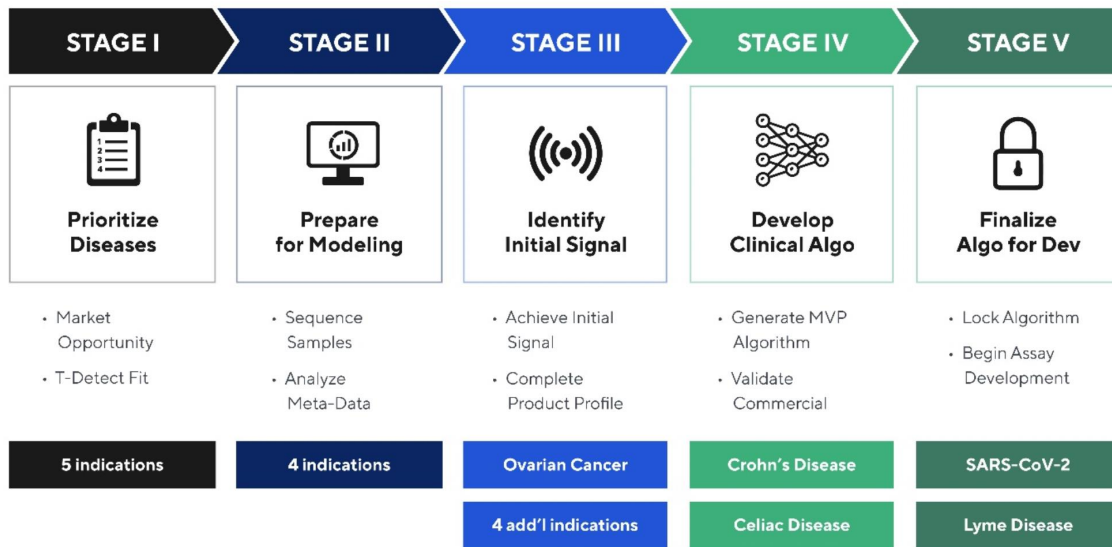
#### *T-Detect Pipeline*

To achieve our goal of developing a diagnostic test for early detection across a broad range of diseases, we are pursuing the following strategic plan:

- Apply machine learning to high-throughput mapping to generate the TCR-Antigen Map.
- Demonstrate clinical signals for early detection using mapped TCRs in select indications.
- Launch one TCR sequencing technology, T-Detect, for initial indications.
- Broaden utility to a wide range of diseases without requiring large prospective trials.

Over the past year, we have optimized our five-stage research and development funnel and expanded our lab capacity to expedite our ability to move many diseases through the funnel in parallel. We start by prioritizing diseases that meet key market attractiveness criteria such as high unmet medical need, understanding of the antigenic space, and our access to samples with metadata. Once an early signal is identified, we refine our modeling with additional case control studies and by leveraging our clinical immunomics dataset. Once we confirm a signal, we proceed with a full commercial validation and generation of a locked-down algorithm to take into clinical validation and regulatory submission. We have about four to five diseases under study in each of the earlier stages of the research and development funnel and continue to invest heavily in the speed and robustness of this funnel with people and data analytic capabilities.

T-Detect Research and Development Funnel



In the third quarter of 2020, we announced the confirmation of our third clinical signal in Crohn's disease. Crohn's is a gastrointestinal disorder that is often confused with other conditions with similar symptom presentation and there is a significant unmet need for a highly specific and sensitive non-invasive test. Data will be shared in a scientific forum next year. Other indications such as celiac, ovarian cancer and other autoimmune disorders continue under development within our research and development funnel and we will update you on future progress as they advance.

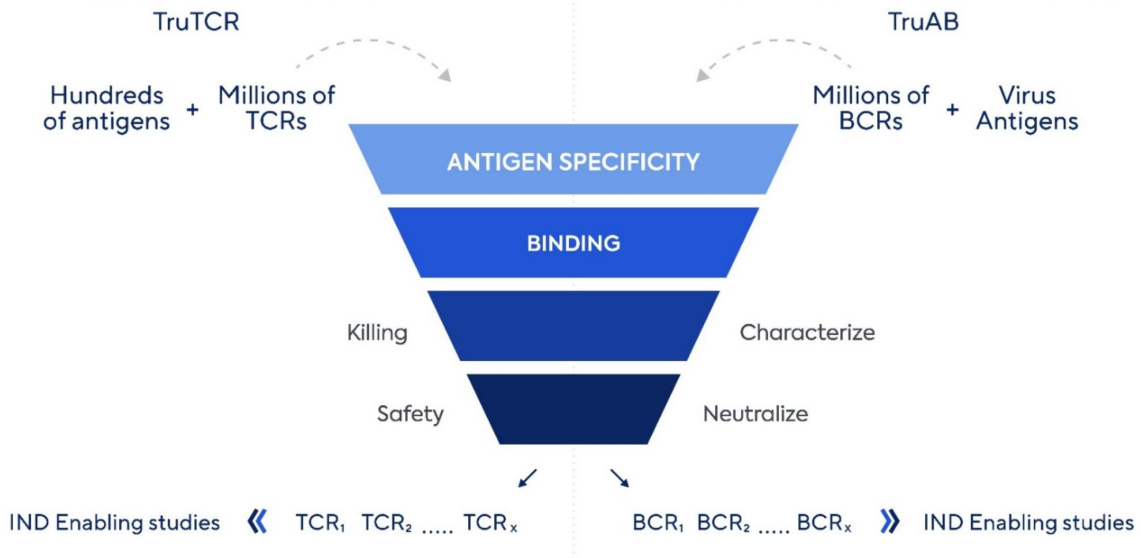
There are many economic advantages of T-Detect both in the research and development stage and as a commercial product. For the research and development pipeline, we use the same capex and workflow for signal generation across all diseases allowing us to study multiple disease in parallel. Once commercialized, again, we use the same blood sample and the same underlying chemistry for all diseases with a small incremental investment in software for each individual disease, enabling a long-term high margin profile.

**Drug Discovery**

Our aim is to develop immune-mediated therapies in oncology and other disease areas by using the full functionality of our immune medicine platform, including TruTCR and TruAB for TCR and antibody characterization, respectively. We are currently working to leverage our immune receptor discovery capabilities to enable commercialization of novel therapies by collaborators. In the future, we may explore expanding our own end-to-end capabilities for the further development of our own portfolio of therapeutic candidates.

## T-CELL THERAPEUTICS

## ANTIBODY THERAPEUTICS



### TCR Discovery for Cellular Therapy using TruTCR

We have developed a high-throughput TCR screening process that allows for the discovery of antigen-specific TCRs that occur in low frequencies in healthy individuals. We believe this provides a set of naturally-occurring TCRs with a more favorable safety profile in comparison to engineered TCRs. We then further characterize these naturally-occurring TCRs for binding avidity and cytotoxic potency. To date, we have identified and characterized to different stages more than 4,000 unique antigen-specific, paired TCRs against 600 different clinically relevant targets, constituting our pipeline of possible clinical candidates. We complete a data package for each characterized TCR that we believe meets the thresholds for therapeutic evaluation. These thresholds are divided into a series of seven key steps covering antigen specificity, functional avidity, cytotoxicity and safety assessment. A package is considered complete when the TCR meets the rigorous criteria for all seven steps and the data are compiled to support an IND package. As a proof of concept, we compared our fully characterized TCR against WT-1, a TAA often overexpressed in various cancers, to a benchmark WT-1 TCR. A gold standard for testing TCR efficacy is killing of cells that naturally express the target antigen at low levels. Using a cancer cell line that is known to express low levels of WT-1, our candidate WT-1 TCR was over four times more effective at killing cancer cells than the benchmark TCR. The complete data package for our lead WT-1 TCR candidate demonstrates improved avidity, cytotoxicity and a promising safety profile.

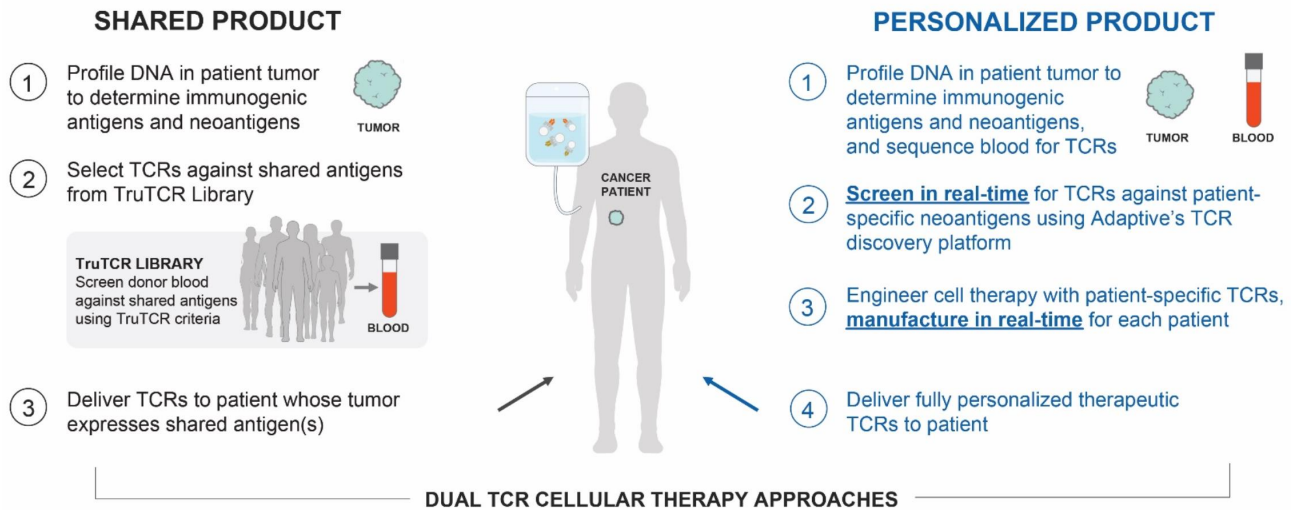
Our high-throughput screening technologies enable us to discover TCRs against any type of antigen which opens up the potential to develop novel TCR-mediated cellular therapies for any type of cancer. As compared to cellular therapies that target T cell surface antigens that are not specific to cancer, we believe our approach to TCR cellular therapies may mitigate the risk of off-target side effects. Therefore, we believe our approach may be applicable to the vast majority of solid tumors, even those where the tissue of origin is vital to survival such as lung or renal.

In December 2018, Genentech selected our platform to develop, manufacture and commercialize novel neoantigen directed T cell therapies for the treatment of a broad range of cancers. Our ultimate goal is to harness the vast majority of therapeutically relevant, patient-specific TCRs against neoantigens and advance the next generation of cellular therapies in oncology. We believe our TCR discovery capabilities may also facilitate the development of cellular therapies in disease areas beyond cancer, which we can commercialize outside of the Genentech collaboration.

In addition to cellular therapy applications, we believe our TCR screening capabilities can guide the design and development of next generation vaccines by characterizing the immunogenicity of hundreds of antigens at a time. Our platform can also be used to then monitor early signs of antigen-specific immune response in patients treated with novel vaccines.

Through our worldwide collaboration and license agreement with Genentech, we plan to develop, manufacture and commercialize novel neoantigen directed T cell therapies for the treatment of a broad range of cancers to advance the next generation of cellular therapies in oncology. We are pursuing two product development pathways for novel T cell immunotherapies in which Genentech intends to use TCRs screened by our immune medicine platform to engineer and manufacture cellular medicines:

- **Shared Products.** The Shared Products will use “off-the-shelf” TCRs identified against cancer antigens shared among patients. Genentech is planning its first IND submission for the first shared product targeting a selected shared cancer antigen in the first half of 2021. We continue to screen and characterize TCRs against clinically relevant targets in solid tumors and we are in late-stage characterization of several promising TCRs that could be considered by Genentech for the development of a second Shared Product.
- **Personalized Product.** The Personalized Product will use patient-specific TCRs identified by real-time screening of TCRs against cancer antigens in each patient. In the second half of 2020, we started screening blood from cancer patients to identify TCRs specific to a patient’s tumor mutations and our goal is to generate proof of concept data in early 2021. To support our near-term and long-term objectives for our private product, we plan to open our dedicated prototype lab in South San Francisco in 2021, which will have capacity to perform first-in-human clinical trials. We believe this investment positions us to potentially pursue additional opportunities outside of this collaboration, including cellular therapy in other disease states and cancer vaccines.



Under the terms of the agreement, we received a \$300.0 million initial upfront payment in February 2019, and we may be eligible to receive approximately \$1.8 billion in aggregate milestone payments upon achievement of specified development, regulatory and commercial milestones. Additionally, we may receive royalties on sales of products commercialized under that agreement. Genentech will be responsible for clinical, regulatory and commercialization efforts. We will be responsible for the screening and identification of TCRs that can most effectively recognize and directly target specific cancer antigens, including neoantigens.

In parallel, we plan to evaluate an investment in additional facilities that would allow us to scale our end-to-end screening of patient-specific TCRs for potential future late-stage clinical trials and commercialization of the Personalized Product. We believe this investment would position us to potentially pursue additional opportunities outside of this collaboration, including developing and commercializing vaccines and cellular therapies in other disease states.

Our TruAB process, similar to our TruTCR process, leverages our high-throughput capabilities to screen millions of BCRs to identify unique antibodies from human blood. Our first proof of concept is for patients who are actively fighting or have recently recovered from COVID-19. In just several months, we collected blood from over 300 patients and hundreds of thousands of antibodies, of which we synthesized and characterized over 3,300 antibodies to various parts of the SARS-CoV-2 virus. To date, we identified several candidates that neutralize live virus at very low concentrations, which means that a very small amount of each of these antibodies is able to block the virus from infecting cells. Using our TruAB antibody discovery approach, we identified several lead antibody candidates that strongly bind to different parts of the virus. Our growing portfolio of novel antibodies includes candidates that don't bind the classic RBD region and instead bind to S1, Trimer or S2. We believe we are one of the only groups that has identified S2-specific antibodies that neutralize the virus. This could have important advantages in a cocktail strategy that targets different mechanisms of action to inhibit the virus and potentially virus variants.

<b>NAb clone</b>	<b>Spike Region</b>	<b>Binding EC<sub>50</sub>(pM)</b>	<b>Live Virus Neutralization Average IC<sub>50</sub> (pM)</b>
<b>ADPT02050</b>	<b>RBD</b>	<b>25</b>	<b>3</b> (0.5 - 16)
<b>ADPT00980</b>	<b>RBD</b>	<b>23</b>	<b>8</b> (5 - 13)
<b>ADPT02020</b>	<b>RBD</b>	<b>88</b>	<b>9</b> (5 - 23)
<b>ADPT02793</b>	<b>S1</b> (non-RBD)	<b>S1 = 113</b> <b>Trimer = 68</b>	<b>11</b> (0 - 30)
<b>ADPT01872</b>	<b>S2</b> (non-RBD)	<b>71</b>	pending
<b>ADPT02019</b>	<b>Trimer</b> (non-RBD)	<b>24</b>	<b>33</b> (19 - 56)
<b>Control</b>	<b>RBD</b>	<b>150</b> ± 30	<b>827</b> (480 - 1380)

IC50s are averages estimated from replicates and up to 3 different experiments.  
Range shows estimated 95% confidence interval.

Importantly, our drug discovery approach is differentiated from other groups because of the scale and throughput of our TruAB approach that allows us to identify a much broader set of naturally-occurring, fully human antibody candidates to select the best ones for clinical development. Beyond COVID-19, we are exploring applications of TruAB discovery in other diseases, including autoimmunity.

### Our People and Culture

Our employees, internally referred to as “Adapters,” are passionate about immune medicine, empowered by scientific discipline and fueled by our foresight and curiosity about the adaptive immune system.

As of December 31, 2020, we had 622 full-time employees of which 124 hold medical or doctoral degrees. None of our employees are subject to a collective bargaining agreement and we have not experienced any work stoppages. We believe relations with our employees are good.

Our talented employees drive our mission and share core values that both stem from and define our culture, which plays an invaluable role in our execution at all levels in our organization. Our core values are used in candidate screening and in employee evaluations to help reinforce their importance in our organization:

- *Make it happen.* Individual ownership and accountability keep us moving forward.

- *Innovate fearlessly.* Push against boundaries and think boldly to achieve world-changing results.
- *Debate openly.* Value discussions inspired by different points of view.
- *Work together.* Demonstrate you care about the success of others. The same goes for our partners and customers—together we can achieve more.
- *Follow True North.* Show up with integrity and do the right thing.
- *Have fun.* Fun makes everything better.

We believe our employees are highly engaged, and we were recognized consecutively in 2018, 2019 and 2020 by the Puget Sound Business Journal as one of Washington State's Best Places to Work.

### ***Diversity and Inclusion***

We pride ourselves on inclusive team building, product design and gender diversity at all levels of management. We are committed to creating and maintaining a culture of belonging. In 2020, we expanded and implemented several diversity and inclusion initiatives. We launched multiple employee resource groups, including Women@Adaptive, Adaptive PRIDE, Black Adapter Network and Working Life and Wellness. We developed diversity sourcing programs and implemented hiring manager diversity training. We also established an Equity Advisory Council of senior leaders focused on specific objectives looking at clinical studies, commercial engagement, recruiting, and retention through a diversity and inclusion lens. We integrated hidden bias training into our Leader of People Program. Most recently, we launched a STEM minority mentoring program with a local university.

### ***Compensation and Benefits***

We strive to provide compensation and benefits that are competitive to market and create incentives to attract and retain employees. Our compensation package includes market-competitive base pay, performance-based short-term incentives, health care, retirement benefits, paid time off and family leave. In addition, we offer employees the benefit of equity ownership in the Company through stock option and restricted stock unit awards. We also provide access to a variety of health and wellness resources.

### ***Employee Development & Training***

We prioritize employee development and training and have established programs to support a culture of employee development. Specifically, in 2020, we offered multiple learning solutions, including our Leader Orientation Program, our Leader of People Program, and our L-re:combinator Program. Our Leader Orientation Program is an eight-week blended learning program that features self-paced online learning and live virtual training, designed to train new line to mid-level leaders about our culture, HR policies, communication, motivation, and more. Our Leader of People Program is a three-part, 15-week program designed to train leaders on change management, interviewing and hiring the best, having difficult discussions and creating alignment. Our L-re:combinator Program is a peer-to-peer learning group that provides mid-level managers with education, support, and collaboration opportunities.

In 2020, over 100 Adapters attended leadership development programs and consumed over 2,000 hours of training.

### ***COVID-19 Preparedness***

In response to the emergence of the COVID-19 pandemic, management formed a cross-functional COVID-19 preparedness committee to regularly monitor the progress of the disease, stay apprised of expert external guidance, discuss and implement preparedness plans as needed and provide clear communication to all Adapters. We implemented measures to reduce the risk of exposure of COVID-19 to the employees who continue to work on site, including the implementation of work-from-home policies for certain employees, as well as the implementation of shifts and zones to physically distance employees who remain on site and extra sanitation measures. For those employees working remotely, we provided additional equipment to support their ergonomic and technology needs.

### ***Strategic Collaborations and Other Agreements***

#### ***Genentech Agreement***

In December 2018, we entered into the Genentech Agreement to develop, manufacture and commercialize novel neoantigen directed T cell therapies for the treatment of a broad range of cancers. Pursuant to the Genentech Agreement, we are responsible for the screening and identification of TCRs that can most effectively recognize and directly target specific neoantigens, while Genentech is responsible for clinical, regulatory and commercialization efforts. During the term of the Genentech Agreement, we have agreed to certain defined exclusivity obligations or restrictions with respect to the development and commercialization of certain cell therapies.

In February 2019, we received a \$300.0 million upfront payment from Genentech. We also may be eligible to receive approximately \$1.8 billion over time, including payments of up to \$75.0 million upon the achievement of specified regulatory milestones, up to \$300.0 million upon the achievement of specified development milestones, and up to \$1.4 billion upon the achievement of specified commercial milestones. Genentech will also pay us tiered royalties at a rate ranging from the mid-single digits to the mid-teens on aggregate worldwide net sales of the Shared Products and the Personalized Product arising from the strategic collaboration, subject to certain reductions, with aggregate minimum floors. For the year ended December 31, 2020 and 2019, the Genentech Agreement accounted for approximately 53.7% and approximately 41.3% of our revenue, respectively.

The Genentech Agreement will continue until the expiration of all royalty payments, but may be terminated by mutual agreement, upon an uncured material breach by either party, upon insolvency of either party, or by Genentech for convenience upon prior written notice.

### **Microsoft Agreement**

In December 2017, we entered into a strategic collaboration agreement with Microsoft (“Microsoft Agreement”) to map TCR sequences to the antigens they bind with the goal of developing diagnostic tests for early detection of many diseases from a single blood test.

Pursuant to the Microsoft Agreement, Microsoft applies machine learning and computational statistics to our clinical immunomics data in order to produce predictive models that allow us to map TCR sequences to the antigens they bind. Under the Microsoft Agreement, we retain all rights to these predictive models and the data underlying our TCR-Antigen Map, including the right to commercialize clinical products using our TCR-Antigen Map. We and Microsoft have granted each other certain licenses to one another’s intellectual property rights and have agreed to certain defined exclusivity obligations with respect to collaborations and projects that are substantially similar to the Microsoft Agreement.

During the term of the Microsoft Agreement, we have agreed to exclusively use Microsoft’s Azure cloud services at standard volume pricing with a minimum Azure consumption requirement. We have also agreed to host each diagnostic product developed as a direct result of the Microsoft Agreement on Azure throughout the term of the Microsoft Agreement and for a period of five years thereafter. In addition, we have agreed to exclusively use Microsoft’s immunomics artificial intelligence services for TCR-antigen mapping in connection with all of our technology, products and services developed as a direct result of our collaboration with Microsoft throughout the term of the Microsoft Agreement.

The Microsoft Agreement has a seven-year term and may be terminated by mutual agreement or by either party upon an uncured material breach. Concurrently with entry into the Microsoft Agreement, Microsoft purchased shares of our Series F-1 convertible preferred stock which were converted into common stock upon the closing of our initial public offering in July 2019.

### **Processing and Manufacturing**

We process both clinical and research use samples in our laboratory in Seattle, Washington. Our Seattle laboratory is CLIA-certified, CAP-accredited and ISO 13485-certified. After we intake samples sent to us from healthcare providers or research and biopharmaceutical customers, we extract DNA from the sample if required, amplify it and otherwise prepare it for our sequencing and data analysis. Throughout our processes, we apply a rigorous quality management system, which is designed to comply with the Quality System Regulation (“QSR”) and the requirements of CLIA, CAP and other applicable state licensing and accreditation requirements.

In order to process samples submitted to us using immunoSEQ or clonoSEQ, we utilize a combination of proprietary primer mixes and commercial materials, including a multiplex PCR master mix, enzymes, high throughput multi-cycle sequencing reagents and other materials, which we obtain and assemble as needed from various third-party vendors on customary terms. A number of our processing steps utilize automated equipment to help ensure consistency and efficiency. Sequencing is performed using the Illumina NextSeq System, which we have appropriately qualified for the intended uses of our products and services. We also work with a third-party vendor to manufacture our immunoSEQ RUO kit using our proprietary primer mix and other materials. We also use Illumina to develop IVD kits and provide related support for clonoSEQ and T-Detect, pursuant to a September 2019 development and supply agreement with a six-year term and payments to Illumina based on Illumina achieving milestones and revenue share payments ranging from a low to mid-single digit percentage of future net sales, subject to customary reductions.

For our TCR-Antigen Map and drug discovery initiatives, we conduct our current operations at our laboratories in Seattle, Washington and South San Francisco, California. These laboratories have cell sorting, tissue culture and other processing equipment.



We use a limited number of suppliers, or in some cases single suppliers, for our laboratory equipment and materials. We manage this concentration risk by targeting or building to levels of surplus stock that, we believe, would allow us to locate alternative suppliers if needed. However, if one of our suppliers fails to perform adequately or fulfill our needs, we may be required to incur significant costs and devote significant efforts to find new suppliers and may face delays in processing samples or developing and commercializing our products and services. Beginning in 2020, we have faced delays in the form of longer lead times for equipment that is subject to increased demand due to public health measures taken to combat the COVID-19 pandemic, such as freezers. In particular, we have purchased the Illumina NextSeq System, and Illumina also supplies us with reagents that have been designed for use solely with this sequencer. While we acquire these reagents from Illumina on customary terms, if we had to replace the reagents we use we may also need to acquire and qualify a replacement sequencer, validate the reagents and potentially revalidate aspects of our existing assays.

## **Distribution**

We processed our first immunoSEQ samples in 2011 and issued our first clonoSEQ report in 2013. Since then, we have focused on expanding our customer base. We sell our products and services primarily through our own internal sales force. Our sales and marketing efforts are targeted at department heads, laboratory directors, principal investigators, core facility directors, clinicians, payors and research scientists and pathologists at leading academic institutions, biopharmaceutical companies, research institutions and contract research organizations. We seek to increase awareness of our products and services among our target customers through direct sales calls, trade shows, seminars, academic conferences, web presence and other forms of internet marketing. Our drug discovery efforts are focused on large biopharmaceutical companies.

We have entered into relationships with distributors to leverage an improved RUO immunoSEQ kit that can be used with various sample types, which we expect to enable global distribution of our research product. We plan to utilize a third-party global distributor but may not be able to engage a distributor in a timely manner or on commercially reasonable terms.

## **Intellectual Property**

We have an extensive global portfolio of intellectual property rights to protect our immune medicine platform, the products and services that draw on it and our reputation in the industry.

As of December 31, 2020, we owned or controlled 451 active patents and patent applications whose claims are intended to cover what we do, what we plan to do and what others might do to compete with us. From our earliest patent filings in 2009, our portfolio has been tailored to reflect our efforts to harness the adaptive immune system for research, diagnostic and therapeutic applications. Our patent claims extend to not only adaptive immune receptor molecules, but also to uniquely powerful techniques for sequencing immune cell receptors, determining clonality and immune competency, diagnosing disease, predicting responses to immunotherapy and identifying new drug candidates. Our patent protection generally expires in years ranging from 2029 to 2040.

Critical know-how we develop is protected by a trade secrecy program to ensure against inappropriate disclosure or use. Encompassed in our know-how is our proprietary database of coding sequences, antigen reactivities and safety profiles for immune receptors, which is vast and growing. Even with collaborators, access to our immune medicine platform technology is limited and tightly controlled through contracts and careful communication. We own our immune medicine platform, including improvements we or collaborators make to it, and retain rights in data resulting from its use.

We also pursue trademark registration for our product and service names and promotional slogans in our existing and projected markets.

### ***Intellectual Property Portfolio by the Numbers***

As of December 31, 2020, our intellectual property portfolio consisted of the following:

- 451 patent applications filed worldwide directly or in conjunction with a co-owner or licensor since 2009;
- 65 pending patent applications;
- 386 issued patents across our immune medicine platform;
- 24 patent families directed to methods and tools useful in our immune medicine platform for non-target specific immunosequencing and research, including immunoSEQ;
- 17 patent families directed to methods and tools useful in diagnosis, prognosis and disease monitoring, including clonoSEQ, T-Detect and the TCR-Antigen Map;

- 12 patent families directed to methods and tools useful in drug discovery, including TruTCR, MIRA and pairSEQ;
- 1 patent family directed to therapeutic antibodies;
- 1 patent family directed to gene sequencing technology; and
- 28 trademarks registered and pending registration worldwide.

### **Patent Portfolio**

We have developed an expansive patent portfolio in commercially important markets with claims to critical aspects of our technology, beginning with our first patent applications exclusively licensed from Fred Hutch in 2009. Our ongoing patent strategy is to generate a return on our patenting investments, which values substantive quality over volume to build a defensible moat around technology we use as well as what others might develop to design around our position.

We prioritize pursuing patent claims with a reasonable likelihood of being granted. Where patentability for a particular invention is questionable, we often choose to protect it as a trade secret instead. In some instances, however, we may seek to push the patentability envelope when the state of the applicable patent laws are in flux, such as patent eligibility for naturally occurring molecules, including TCRs, in the United States.

#### *Methods of Measuring Adaptive Immunity*

In 2009, a U.S. provisional patent application was filed to pursue protection for immunosequencing by our co-founder, Dr. Harlan Robins. The invention broadly relates to methods for assessing the adaptive immune system status of individuals. Rearranged V and J segment genes of TCRs or BCRs are targeted as biomarkers for assessing the status of the immune system at one or more points in time. Granted claims extend to the use of particular sets of amplification primers, while pending claims are being pursued to capture additional assessment techniques. Licensed exclusively to us by Fred Hutch, the application has since spawned more than 31 additional patent applications, many of which have been granted as of December 31, 2020, including U.S. Patent No. 9,809,813.

#### *Optimizing Nucleic Acid Amplification Reactions*

Amplification of nucleic acids can result in over- or under-representation of the amplified molecules, misrepresenting the number present in the source material, such as a blood sample. Dr. Robins invented a method to correct for such bias, thereby improving the precision of PCR-based quantification of TCR and BCR coding sequences in a sample. The claimed approach utilizes synthetic templates, reflecting nucleic acid sequences for rearranged V and J receptor segments in the sampled cells. More than twenty-eight related patent applications have since been filed, many of which have been granted as of December 31, 2020, including U.S. Patent Nos. 9,371,558 and 10,214,770.

#### *Diagnosing and Monitoring Disease*

In connection with our acquisition (“Sequentia Acquisition”) of Sequentia, Inc (“Sequentia”) in 2015, we purchased Sequentia’s extensive patent portfolio. The portfolio includes 124 patent applications which disclose and claim methods to identify and quantify T cell-based immune responses to antigen exposure using NGS. TCR and BCR DNA, RNA or cell-free DNA from samples, including blood and bone marrow, are used to detect, prognose and monitor disease, including autoimmune disease, infection and cancer. More than one hundred twelve patents have been granted in the portfolio as of December 31, 2020, including U.S. Patent Nos. 8,628,927 and 8,236,503.

Our diagnostic methods also apply to the detection of MRD (the target of our B cell-based clonoSEQ diagnostic test for assessing how disease burden changes in response to treatment or during remission) and T-Detect (our T cell-based diagnostic tests). Multiple patents have been granted from additional applications relating to diagnostic methods and diagnostically significant TCRs filed by us, including U.S. Patent No. 9,824,179.

#### *TCR-Antigen Map*

In connection with our Microsoft collaboration, we are developing a diagnostic product to detect cancer and other diseases at their earliest stage by learning the signals and responses of the activated immune receptors in a patient’s blood. Pre-collaboration, we filed 10 related patent applications for methods to produce antigen-exposed enriched T cell populations and identify their antigen specificities by comparison to a pre-exposure population of cells or by use of an algorithm. We have filed additional patent applications relating to algorithmic-based methods to characterize antigen specificities and will continue to do so as our work proceeds with Microsoft.

## *MIRA*

We developed and are pursuing patent protection for bioinformatic-based methods to determine the antigen specificity of TCRs by exposing T cells to a panel of multiple antigens. Antigen exposure can be performed by incubation or presentation; for example, it can be performed via recombinant expression in another cell. These methods may also be used to pair the two TCR chains as well as to identify high avidity TCRs. Several patents have been granted as of December 31, 2020, including U.S. Patent No. 10,066,265.

## *pairSEQ*

In nature, TCRs and BCRs exist as a heterodimer of paired chains, each of which is encoded on a different chromosome. Immunosequencing reveals the nucleotide structure of each individual chain, but not which chains match as cognate pairs. We developed and are pursuing patent protection for multiple bioinformatic-based approaches to pairing the two chains of TCRs and BCRs, including one deployed in our pairSEQ technique. Our methods also allow for identification of receptor chain pairs which are specific to particular antigen targets. Over fifty related patent applications have been filed, nearly half of which have matured into granted patents as of December 31, 2020, including U.S. Patent No. 10,077,478.

## *Assessing Responsiveness to Immunotherapy*

Leveraging our immunosequencing technologies, we developed methods for predicting responses to immunotherapy, vaccines and infection. To those ends, rearranged TCR or BCR sequences are quantified and their levels or frequencies compared at different points in time. More than 20 related patent applications have been filed, most of which have been granted as of December 31, 2020, including U.S. Patent No. 10,221,461.

## *Therapeutic Antibodies*

We developed a therapeutic antibody discovery process called TruAB from which neutralizing antibodies to SARS-CoV-2 have been produced. A patent application to these antibodies was filed in 2020 and is pending.

## ***In-Licensed and Acquired Intellectual Property Rights***

While we have developed the majority of our immune medicine platform, products and services, we occasionally license or acquire third-party owned inventions to bolster the strength of our patent estate and ensure freedom to operate.

Early work by Dr. Robins with Fred Hutch led to discoveries around immunosequencing methods and tools covered by 128 patents and patent applications in the United States and abroad which we exclusively licensed. Our rights are for all fields of use worldwide and are sublicensable. To the extent any licensed granted patent rights extend to products or services sold by us, we pay Fred Hutch a royalty rate of 0.75% of net sales on licensed products.

Through our Sequentia Acquisition, we also obtained an exclusive paid-up license, with rights to sublicense, to patents filed in the United States, Europe, Australia and China owned by iRepertoire, Inc. The license is for worldwide use in diagnosis, prognosis, treatment and monitoring of any proliferative disorder for which rearranged nucleic acids capable of encoding an immune receptor, whether productive or unproductive, or functional or nonfunctional, of a cell, excluding tumor infiltrating lymphocytes, of the proliferative disorder can be used as markers for the disorder, including, but not limited to, lymphoid and myeloid proliferative disorders, such as ALL, CLL, acute myeloid leukemia, chronic myelogenous leukemia, Hodgkin's and non-Hodgkin's lymphomas, plasma cell neoplasms, such as MM, monoclonal gammopathy of undetermined significance, monoclonal B cell lymphocytosis and myelodysplastic syndromes.

In addition to the patent estate acquired from Sequentia, we also acquired ownership of immunosequencing-related patent portfolios from Imdaptive, Inc. and ImmunID S.A.S.

## ***Trademarks***

We own various trademarks, applications and unregistered trademarks in the United States and other commercially important markets, including our company name, product and service names and other trade or service marks. Our trademark portfolio is designed to protect the brands for our products and services, both current and in the pipeline.

## **Trade Secrecy Program**

We have a trade secrecy program to prevent disclosure of our trade secrets to others, except under stringent conditions of confidentiality when disclosure is critical to our business. Our trade secrets include the composition of certain reagents, assay protocols and immunosequencing-related data, such as immune receptor sequences. We protect trade secrets and know-how by establishing confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors and collaborators. These agreements provide that all confidential information developed or made known during the course of an individual or entities' relationship with us must be kept confidential during and after the relationship. These agreements also provide that all inventions resulting from work performed for us or relating to our business and conceived or completed during the period of employment or assignment, as applicable, shall be our exclusive property. In addition, we take other appropriate precautions, such as physical and technological security measures, to guard against misappropriation of our proprietary information by third parties.

Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Accordingly, we may not be able to meaningfully protect our trade secrets. For more information regarding the risks related to our intellectual property, see "*Risk Factors—Risks Related to Our Intellectual Property.*"

## **Competition**

The biotechnology and pharmaceutical industries, including the fields of life sciences research, clinical diagnostics and drug discovery, are characterized by rapidly advancing technologies, intense competition and a strong emphasis on intellectual property. Given the breadth and promise of immune medicine, we face substantial competition from many different sources, including life sciences tools, diagnostics, pharmaceutical and biotechnology companies, academic research institutions and governmental agencies and public and private research institutions across various components of our platform and product and service offerings. Due to the significant interest and growth in immune medicine more broadly, we expect the intensity of the competition to increase. However, we believe our scale, precision and speed, and the resulting clinical applicability, distinguish us from our competitors. In life sciences research, immunoSEQ faces competition from a number of companies.

In clinical diagnostics, clonoSEQ faces competition primarily from institutions performing flow cytometry in-house, particularly outside of the United States. We may also face competition from companies developing early cancer detection testing products for indications that do not currently compete with clonoSEQ.

In drug discovery, clinical trials in the field of immune medicine are being pursued by a number of industry and academic players.

Immune medicine is being pursued by several biotechnology companies as well as by large-cap biopharmaceutical companies. Many of our current or potential competitors, either alone or with their collaboration partners, have significantly greater financial resources and expertise in research and development, manufacturing, regulatory approval and compliance, and sales and distribution than we do. Mergers and acquisitions involving life sciences research, clinical diagnostics or drug discovery companies in the immune medicine space may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize research or diagnostic products or services that are more accurate, more convenient to use or more cost-effective than our products or services. Competitor therapeutic products could also prove safer, more effective, more convenient to administer or more cost-effective than any therapeutic products we may develop with our collaborators. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the relevant market.

## **Government Regulation**

### ***Life Sciences Research Use Only Technologies***

Our core research product, immunoSEQ, is a RUO tool in the United States that provides data to third parties such as biopharmaceutical companies that are themselves engaged in the research and development of potential diagnostic and therapeutic products and services for which they may later pursue investigation and clearance, authorization or approval from regulatory authorities, such as the FDA.

RUO products belong to a separate regulatory classification under a long-standing FDA regulation. From an FDA perspective, products that are intended for research use only and are labeled as RUO are not regulated by the FDA as *in vitro* diagnostic devices and are therefore not subject to the regulatory requirements discussed below for clinical diagnostic products. Thus, RUO products may be used or distributed for research use without first obtaining FDA clearance, authorization or approval. The products must bear the statement: “For Research Use Only. Not for Use in Diagnostic Procedures.” RUO products cannot make any claims related to safety, effectiveness or diagnostic utility, and they cannot be intended for human clinical diagnostic use. Accordingly, a product labeled RUO but intended or promoted for clinical diagnostic use may be viewed by the FDA as adulterated and misbranded under the Federal Food, Drug, and Cosmetic Act (“FDCA”) and subject to FDA enforcement action. The FDA will consider the totality of the circumstances surrounding distribution and use of an RUO product, including how the product is marketed and to whom, when determining its intended use. If the FDA disagrees with a company’s RUO status for its product, the company may be subject to FDA enforcement activities, including, without limitation, requiring the company to seek clearance, authorization or approval for the products.

### ***Clinical Diagnostics in the United States***

Our first diagnostic product, clonoSEQ, was granted marketing authorization by the FDA for the detection and monitoring of MRD in bone marrow samples in patients with MM and ALL under the *de novo* process, which classified clonoSEQ and future DNA-based tests to measure MRD in hematological malignancies as Class II devices, as explained further below. In August 2020, we received our third FDA clearance for clonoSEQ, following a 510(k) submission, for CLL in bone marrow as well as blood samples.

In the United States, medical devices are subject to extensive regulation by the FDA under the FDCA and its implementing regulations, and other federal and state statutes and regulations. The FDA regulates the design, development, preclinical, analytical and clinical testing, manufacture, safety, effectiveness, clearance, authorization or approval, record-keeping, packaging, labeling, storage, adverse event reporting, advertising, promotion, marketing, sales, distribution and import and export of medical devices. IVDs are a type of medical device and include reagents and instruments used in the diagnosis or detection of diseases, conditions or infections, including, without limitation, the presence of certain chemicals, genetic information or other biomarkers. Predictive, prognostic and screening tests can also be IVDs.

After a medical device is placed on the market, numerous regulatory requirements apply. These include:

- compliance with the FDA’s QSR, which requires manufacturers to follow stringent design, testing, control, documentation, record maintenance, including maintenance of complaint and related investigation files, and other quality assurance controls during the manufacturing process;
- labeling regulations, which prohibit the promotion of products for uncleared, or unapproved uses, or “off-label” uses, and impose other restrictions on labeling; and
- obligations to investigate and report to the FDA adverse events, including deaths, or serious injuries that may have been or were caused by a medical device and malfunctions in the device that would likely cause or contribute to a death or serious injury if it were to recur.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include sanctions, including but not limited to, warning letters; fines, injunctions, and civil penalties; recall or seizure of the device; operating restrictions, partial suspension or total shutdown of production; refusal to grant 510(k) clearance or premarket approvals (“PMAs”) of new devices; withdrawal of clearance or approval; and civil or criminal prosecution.

### ***Position in the European Union***

In the EU, IVDs can be placed on the market by obtaining a “CE mark,” which demonstrates conformity with the *In vitro* Diagnostic Medical Device Directive (“IVDD”). The requirements under the Directive include:

- *Essential Requirements.* The IVDD specifies “essential requirements” that all medical devices must meet to demonstrate the product is safe and effective under normal conditions of use. The requirements are similar to those adopted by the FDA relating to quality systems and product labeling.
- *Conformity Assessment.* The requirements to obtain a CE mark are risk-based, and follow a similar classification system as in the United States. However, unlike the United States, which requires virtually all devices to undergo some level of premarket review by the FDA, the IVDD currently allows manufacturers to bring many devices to market using a process in which the manufacturer self-certifies that the device conforms to the applicable essential requirements.
- *Vigilance.* The IVDD specifies requirements for post market reporting similar to those adopted by the FDA.

On May 26, 2017, the EU released a new regulatory framework, the *In vitro* Diagnostic Medical Device Regulation (“IVDR”), which will replace the IVDD. Our products in the EU will have to comply with the IVDR requirements after May 26, 2022, subject to the applicable transitional provisions before full compliance is required. The IVDR is considerably stricter in regulatory oversight than the IVDD and will require more IVD devices to be reviewed by a notified body before being placed on the market. Until that time, our products must continue to meet the requirements of IVDD for commercialization in the EU.

### ***U.S. Federal and State Regulation of Laboratories***

Given that aspects of our business at certain facilities involve acting as a clinical laboratory, we are required to hold certain federal and state licenses, certifications and permits to conduct our business.

As to federal certifications, CLIA establishes rigorous quality standards for all laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease, or the impairment of, or assessment of health. As a clinical laboratory, we must obtain a CLIA certificate based on the complexity of testing performed at the laboratory, such as a Certificate of Compliance for high-complexity testing. CLIA also mandates compliance with various operational, personnel, facilities administration, quality and proficiency requirements, intended to ensure that their clinical laboratory testing services are accurate, reliable and timely. CLIA compliance and certification is also a prerequisite to be eligible to bill for services provided to government payors and for many private payors. Furthermore, we are subject to survey and inspection every two years to assess compliance with program standards, and may be subject to additional unannounced inspections. Laboratories performing high-complexity testing are required to meet more stringent requirements than laboratories performing less complex tests.

In addition to CLIA requirements, we elect to participate in the accreditation program of the CAP. The U.S. Centers for Medicare & Medicaid Services (“CMS”), the agency that oversees CLIA, has deemed CAP standards to be equally or more stringent than CLIA regulations and has approved CAP as a recognized accrediting organization. Inspection by CAP is performed in lieu of CMS inspections for accredited laboratories. Therefore, because we are accredited by the CAP Laboratory Accreditation Program, we are deemed to also comply with CLIA.

CLIA provides that a state may adopt laboratory regulations that are more stringent than those under federal law, and a number of states have implemented their own more stringent laboratory regulatory requirements. Select states, including Washington, have laboratory regulations that have been deemed by the federal government to be at least as stringent as CLIA, and thus laboratories licensed under those state regimes are exempt from CLIA and the state Department of Health is permitted to issue a CLIA number, along with a state Medical Test Site license, rather than a certificate being issued by CMS. Our laboratory holds the required Washington license. State laws may require that laboratory personnel meet certain qualifications, specify certain quality control procedures, facility requirements or prescribe record maintenance requirements.

Several states additionally require the licensure of out-of-state laboratories that accept specimens from those states. For example, New York requires a laboratory to hold a permit which is issued after an on-site inspection and approval of each LDT offered by a laboratory, and has various, more stringent requirements than CLIA and CAP, including those for personnel qualifications, proficiency testing, physical facility and equipment and quality control standards. Our laboratory holds the required licenses for Maryland, Rhode Island, Pennsylvania, New York and California.

From time to time, other states may require out-of-state laboratories to obtain licensure in order to accept specimens from the state. If we identify any other state with such requirements, or if we are contacted by any other state advising us of such requirements, we intend to follow instructions from the state regulators as to how we should comply with such requirements.

If a clinical laboratory is found to be out of compliance with CLIA certification, CAP accreditation or a state license or permit, the applicable regulatory agency may, among other things, suspend, restrict or revoke the certification, accreditation, license or permit to operate the clinical laboratory, assess civil monetary penalties and impose specific corrective action plans, among other sanctions.

### ***Laboratory Developed Tests in the United States***

The FDA has historically exercised enforcement discretion to not regulate most LDTs. As such, LDTs have not been subject to FDA’s marketing clearance and approval processes, or post-marketing controls, for medical devices. LDTs are generally considered to be tests that are designed, developed, validated and used within a single laboratory. Laboratories certified as “high complexity” under CLIA may develop, manufacture, validate and run LDTs. clonoSEQ is available as an LDT for use in assessing MRD for other lymphoid malignancies, including CLL and NHL, at our Seattle, Washington laboratory.

In that respect, Congress introduced legislation to establish a framework for FDA to oversee marketing of *in vitro* clinical tests (“IVCTs”), such as test kits and LDTs (the Verifying Accurate Leading-edge IVCT Development Act, or “VALID Act”). Under the VALID Act, FDA would oversee IVCTs, requiring pre-market review for high-risk IVCTs which expose patients to serious or irreversible harm and novel IVCTs. As currently drafted, existing LDTs at the time of VALID Act passage would be grandfathered as approved. For new low risk IVCTs, developers would submit a representative IVCT to FDA for review and issuance of a technology certification for the specific IVCT reviewed and later developed test within the scope of the certification. It is not certain whether or in what form the VALID Act bill will pass Congress, but passage could increase the stringency of regulatory review required for our LDT products.

If the VALID Act does not pass, FDA may decide to exercise enforcement discretion for LDTs, especially if it perceives a LDT as posing a risk to patients. Therefore, the regulatory path for marketing of LDTs is subject to uncertainty given the FDA’s latitude in interpreting and applying its laws and policies.

As of November 2020, the U.S. Department of Health and Human Services instructed the FDA to review voluntary EUA submissions of LDTs for COVID-19 in order to extend certain statutory immunities to liability for those laboratories under the federal Public Readiness and Emergency Preparedness Act (“PREP Act”). Failure to obtain an EUA for a COVID-19 LDT can impair such immunity and could make payor reimbursement for COVID-19 LDTs under the Family First Coronavirus Act unavailable. We are seeking an EUA for our T-Detect COVID test and could be at risk of product liability or lack of payor reimbursement if the EUA is not granted.

### ***Federal and State Privacy, Security and Breach Notification Laws***

Many state and federal laws govern the processing of personally identifiable information or individually identifiable health information. At the federal level, under the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and the Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”), the U.S. Department of Health and Human Services (“HHS”) issued regulations that establish standards for protecting the privacy and security of “protected health information” used or disclosed by certain healthcare providers and other “covered entities” and their “business associates.” Three principal data protection-related regulations with which we are required to comply have been issued in final form under HIPAA and HITECH: privacy regulations, security regulations and security breach notification regulations.

The privacy regulations govern the use and disclosure of “protected” health information by covered healthcare providers, as well as health insurance plans. They also set forth certain rights that an individual has with respect to his or her protected health information maintained by a covered health care provider, including the right to access or amend certain records containing protected health information or to request restrictions on the use or disclosure of protected health information. The security regulations establish requirements for safeguarding the confidentiality, integrity and availability of protected health information that is electronically transmitted or electronically stored. HITECH, among other things, established certain health information security breach notification requirements. A covered entity must notify HHS and each affected individual of a breach of unsecured protected health information as well as the media if the breach involves more than 500 individuals.

HIPAA violations are subject to civil and criminal penalties. Additionally, to the extent that we submit electronic healthcare claims and payment transactions that do not comply with the electronic data transmission standards established under HIPAA and HITECH, payments to us may be delayed or denied.

Section 5(a) of the Federal Trade Commission Act (“FTCA”) has also been used to regulate data privacy and security at the federal level. According to the U.S. Federal Trade Commission (“FTC”), failing to take appropriate steps to keep consumers’ personal information secure or using or disclosing personal information in violation of a company’s privacy notice may constitute unfair or deceptive acts or practices in or affecting commerce in violation of the FTCA. The FTC expects a company’s data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business and the cost of available tools to improve security and reduce vulnerabilities. Although we have and maintain a system for compliance with privacy laws and regulations, failure to comply with them could expose us to potential FTC enforcement action and fines.

In addition, certain state laws govern the privacy and security of health information, some of which are more stringent than HIPAA (including providing for patient enforcement of these state laws) and many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. In addition, there are state breach notification laws in every state. Failure to comply with these laws, where applicable, can result in the imposition of significant civil or criminal penalties and private litigation.

## **General Data Protection Regulation in the EU**

The General Data Protection Regulation (“GDPR”) is a legal framework that sets requirements for the collection and processing of personal information of individuals within the European Economic Area (“EEA”). The GDPR sets out the principles for data management and the rights of the individual, while also imposing very significant fines that can be revenue-based. It applies to U.S. companies that process personal information of persons in the EEA in connection with the offer of products or services to those persons, or the monitoring of such persons’ behavior. It may also apply when a U.S. company processes personal information in the context of the activities of an entity established in the EEA. The GDPR became enforceable on May 25, 2018. The regulation applies to the human resources record of employees and even the Internet Protocol addresses of people using online services. The GDPR builds upon data rights that the EU had previously advocated, such as the right of an individual to be forgotten and the right to data portability.

## **Federal, State and Foreign Fraud and Abuse Laws**

In the United States, there are various fraud and abuse laws with which we must comply and we are subject to regulation by various federal, state and local authorities, including CMS, other divisions of HHS, such as the Office of Inspector General (“OIG”), the U.S. Department of Justice (“DOJ”) and individual U.S. Attorney offices within the DOJ, and state and local governments. We also may be subject to foreign fraud and abuse laws.

In the United States, the Anti-Kickback Statute (“AKS”) prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for patient referrals for, or purchasing, leasing, ordering or arranging for the purchase, lease or order of, any healthcare item or service reimbursable under a governmental payor program. Courts have stated that a financial arrangement may violate the AKS if any one purpose of the arrangement is to encourage patient referrals or other federal healthcare program business, regardless of whether there are other legitimate purposes for the arrangement. The definition of “remuneration” has been broadly interpreted to include anything of value, including gifts, discounts, meals, travel, credit arrangements, payments of cash, consulting fees, waivers of co-payments, ownership interests and providing anything at less than its fair market value. Recognizing that the AKS is broad and may technically prohibit many innocuous or beneficial arrangements within the healthcare industry, the OIG issued a series of regulatory “safe harbors.” These safe harbor regulations set forth certain provisions, which, if met, will assure healthcare providers and other parties that they will not be prosecuted under the AKS. The failure of a transaction or arrangement to fit within a specific safe harbor does not necessarily mean that the transaction or arrangement is illegal or that prosecution under the AKS will be pursued. In those instances, arrangements will be evaluated on a case-by-case basis to determine whether enforcement will be pursued. Penalties for AKS violations are severe and can include imprisonment, criminal fines, civil monetary penalties and exclusion from participation in federal healthcare programs. The regulations establishing safe harbor protection are subject to change and could affect future operations. Many states also have anti-kickback statutes, some of which may apply to items or services reimbursed by any third-party payor, including commercial insurers as well as patient self-pay. A violation of the AKS may be grounds for the government or a whistleblower to assert that a claim for payment of items or services resulting from such violation constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

The civil monetary penalties statute is another potential statute under which a clinical laboratory may be subject to enforcement. Among other things, the civil monetary penalties statute imposes fines against any person who is determined to have presented, or caused to be presented, claims to a federal healthcare program that the person knows, or should know, is for an item or service that was not provided as claimed or is false or fraudulent. The civil monetary penalties statute also prohibits a person from offering or providing remuneration to any Medicare or Medicaid beneficiary that is likely to influence the individual to order or receive its items or services from a particular provider or supplier.

The exclusion statute requires the exclusion of entities and individuals who have been convicted of federal-program related crimes or healthcare felony fraud or controlled substance charges. The statute also permits the exclusion of those that have been convicted of any form of fraud, the AKS, for obstructing an investigation or audit, certain controlled substance offenses, those whose healthcare license has been revoked or suspended and those who have filed claims for excessive charges or unnecessary services. If we were to be excluded, our products and services would be ineligible for reimbursement from any federal programs, including Medicare and Medicaid, and no other entity participating in those programs would be permitted to enter into contracts with us. In order to preserve access to beneficial healthcare items and services, the government may elect to exclude officers and key employees of manufacturers, rather than excluding the organization. Such enforcement actions would prohibit us from engaging those individuals, which could adversely affect operations and result in significant reputational harm.

Congress has also enacted statutes that impose criminal liability for healthcare fraud and abuse. The Health Care Fraud Statute prohibits knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from governmental payor programs such as the Medicare and Medicaid programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefit programs, items or services-public or private. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from governmental payor programs.



The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal governmental payor program. The *qui tam* provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has defrauded the federal government by submitting a false claim to the federal government and permit such individuals to share in any amounts paid by the entity to the government in fines or settlement. *Qui tam* complaints are filed under seal, and the cases may progress for a number of years before a complaint is unsealed and a healthcare provider or supplier becomes aware of its existence. When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties ranging from \$11,463 to \$22,927 for each false claim. The False Claims Act is the federal government's primary civil tool in healthcare fraud cases. False Claims Act liability is not limited to direct providers of health items or services. The government has asserted liability under the False Claims Act against manufacturers and other third parties who caused another party to file a false claim.

In addition, various states have enacted false claim laws analogous to the federal False Claims Act, although many of these state laws apply where a claim is submitted to any third-party payor and not merely a governmental payor program.

On October 25, 2018, the Substance Use-Disorder Prevention that Promoted Opioid Recovery and Treatment for Patients and Communities Act of 2018 ("SUPPORT Act") was enacted. The SUPPORT Act included the Eliminating Kickbacks in Recovery Act of 2018 ("EKRA"), which establishes an all-payor anti-kickback prohibition that extends to arrangements with recovery homes, clinical laboratories and clinical treatment facilities. EKRA includes a number of statutory exceptions, and directs agencies to develop further exceptions. Current exceptions in some cases reference and in others differ from the AKS safe harbors. Significantly, the prohibitions apply with respect to the soliciting or receipt of remuneration for any referrals to recovery homes, clinical treatment facilities, or clinical laboratories, whether or not related to treating substance use disorders. Further, the prohibitions cover the payment or offer of remuneration to induce a referral to, or in exchange for, an individual using the services of, such providers. This new law creates additional risk that relationships with referral sources could be problematic.

For anti-corruption legislation, the U.S. Foreign Corrupt Practices Act ("FCPA") is the most widely enforced law. It is the first to introduce corporate liability, responsibility for third parties and extraterritoriality for corruption offences, meaning companies and persons can be held criminally and civilly responsible for corruption offences committed abroad. It was enacted for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States. The FCPA also requires companies whose securities are listed in the United States to meet its accounting provisions, which were designed to operate in tandem with the anti-bribery provisions, require corporations covered by the provisions to (a) make and keep books and records that accurately and fairly reflect the transactions of the corporation and (b) devise and maintain an adequate system of internal accounting controls.

In Europe, various countries have adopted anti-bribery laws providing for severe consequences, in the form of criminal penalties or significant fines, for individuals or companies committing a bribery offence. Violations of these anti-bribery laws, or allegations of such violations, could have a negative impact on our business, results of operations and reputation. For instance, in the United Kingdom, under the Bribery Act 2010, which came into effect in July 2011, a bribery offence occurs when a person offers, gives or promises to give a financial or other advantage to induce or reward another individual to improperly perform certain functions or activities, including any function of a public nature. Bribery of foreign public officials also falls within the scope of the Bribery Act 2010. Under this regime, an individual found in breach of the Bribery Act 2010 faces imprisonment of up to 10 years. In addition, the individual can be subject to an unlimited fine, if found to have committed an offense, as can commercial organizations that are found to have failed to prevent bribery. Most recently, France has passed an anti-bribery and compliance law ("Sapin II"), and the new French anti-corruption agency ("AFA") has been established. The Sapin II law makes it compulsory for companies within the scope of the law to implement internal procedures to fight corruption. One of the items that must be prepared is a corruption risk map, as well as an anti-corruption code of conduct. These documents are subject to investigation by the AFA and failure to comply with the requirements can lead to a fine of up to €1.0 million for a company and €200,000 for executives.

Currently, we are not subject to the jurisdictional requirements of the UK Bribery Act or Sapin II as we do not have offices in either country and do not employ a requisite amount of employees in these countries. If we were to have future growth in the European market, these laws could potentially apply to us.

## ***U.S. Physician Referral Prohibitions***

The Physician Self-Referral Law (“Stark Law”) prohibits physicians from referring patients to entities with which the physician or an immediate family member has a financial relationship, such as ownership, investment or compensation, for designed health services (“DHS”) payable by Medicare and Medicaid, unless the financial arrangement meets an applicable exception. DHS includes clinical laboratory tests. Penalties for violating the Stark Law include the return of funds received for all prohibited referrals, fines, civil monetary penalties and possible exclusion from federal health care programs. In addition to the Stark Law, many states have their own self-referral bans, which may extend to all self-referrals, regardless of the payor. See *“Risk Factors—Risks Relating to Government Regulation—We are subject to various laws and regulations, such as healthcare fraud and abuse laws, false claim laws and health information privacy and security laws, among others, and failure to comply with these laws and regulations may have an adverse effect on our business.”*

## ***Corporate Practice of Medicine in the United States***

Numerous states have enacted laws prohibiting business corporations, such as us, from practicing medicine and employing or engaging physicians to practice medicine, generally referred to as the prohibition against the corporate practice of medicine. These laws are designed to prevent interference in the medical decision-making process by anyone who is not a licensed physician. For example, California’s Medical Board has indicated that determining what diagnostic tests are appropriate for a particular condition and taking responsibility for the ultimate overall care of the patient, including providing treatment options available to the patient, would constitute the unlicensed practice of medicine if performed by an unlicensed person. Violation of these corporate practice of medicine laws may result in civil or criminal fines, as well as sanctions imposed against us or the professional through licensure proceedings. Typically such laws are only applicable to entities that have a physical presence in the state.

## ***Other Regulatory Requirements***

Our laboratory is subject to federal, state and local regulations relating to the handling and disposal of regulated medical waste, hazardous waste and biohazardous waste, including chemical, biological agents and compounds, blood and bone marrow samples and other human tissue. Typically, we use outside vendors who are contractually obligated to comply with applicable laws and regulations to dispose of such waste. These vendors are licensed or otherwise qualified to handle and dispose of such waste.

Our partners in the development of therapeutic agents are responsible for developing and manufacturing those products. In so doing, they are subject to FDA and Medicare regulatory requirements related to, among other things, manufacture, promotion, price reporting and fraud and abuse laws.

Our laboratories are subject to extensive requirements related to workplace safety established by the U.S. Occupational Safety and Health Administration. These include requirements to develop and implement programs to protect workers from exposure to blood-borne pathogens by preventing or minimizing any exposure through needle stick or similar penetrating injuries.

## ***U.S. Healthcare Reform***

In the United States, a number of recent legislative and regulatory changes at the federal and state levels have sought to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Affordable Care Act (“ACA”) became law. This law substantially changed the way healthcare is financed by both commercial and government payors, and it has significantly impacted our industry. Since 2016 there have been efforts to repeal all or part of the ACA. For example, the Tax Cuts and Jobs Act (“TCJA”), among other things, removes penalties for not complying with the ACA’s individual mandate to carry health insurance. The U.S. Congress may take further action regarding the ACA, including, but not limited to, repeal or replacement. Additionally, all or a portion of the ACA and related subsequent legislation may be modified, repealed or otherwise invalidated through judicial challenge, which could result in lower numbers of insured individuals, or reduced coverage for insured individuals, and which could adversely affect our business. However, it remains to be seen whether or when new legislation modifying the ACA will be enacted, what any such the new legislation might provide and what impact it might have on the size and coverage of the insured population or on efforts to contain or lower the cost of healthcare. We cannot predict the implications, if any, of such legislation on our and our collaborators’ businesses and financial conditions.

We anticipate there will continue to be proposals by legislators at both the federal and state levels, regulators and commercial payors to reduce costs while trying to expand individual healthcare benefits. If enacted, some such proposals could expand or contract the insured population, increasing or decreasing demand for our products and services. On the other hand, some proposals could impose additional limitations on the prices we will be able to charge for our tests or on the coverage of or the amounts of reimbursement available for our tests from payors, including commercial payors and government payors.

The federal physician payment transparency requirements (“Physician Payments Sunshine Act”) and its implementing regulations, which requires applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the State Children’s Health Insurance Program, with certain exceptions, to annually report to HHS information related to certain payments or other transfers of value made or distributed to physicians, defined to include doctors, dentists, optometrists, podiatrists and chiropractors, and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. The SUPPORT Act, under a provision entitled “Fighting the Opioid Epidemic with Sunshine,” extends the Physician Payments Sunshine Act to payments and transfers of value to physician assistants, nurse practitioners and other mid-level healthcare providers, with reporting requirements going into effect in 2022 for payments and transfers of value made to these practitioners in 2021.

There are also state “sunshine” laws that require manufacturers to provide reports to state governments on pricing and marketing information. Several states have enacted legislation requiring medical device manufacturers to, among other things, establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales and marketing activities, and such laws may also prohibit or limit certain other sales and marketing practices. These laws may adversely affect our sales, marketing, and other activities by imposing administrative and compliance burdens on us. Although we have a system for tracking and reporting “sunshine” law required information, if we fail to do so as required, we could be subject to government enforcement action and potential penalties.

### **Coverage and Reimbursement Generally**

Reimbursement and billing requirements of applicable laws and payors for diagnostic services are highly complex. Laboratories must bill various payors, such as private third-party payors, including managed care organizations (“MCO”), and state and federal health care programs, such as Medicare and Medicaid, and each may have different billing requirements. Depending on the reimbursement arrangement and applicable law, the party that reimburses us for our services may be a third party who provides coverage to the patient, such as an insurance company or MCO; a state or federal healthcare program; or the patient. Additionally, the audit requirements we must meet to ensure compliance with applicable laws and regulations, as well as our internal compliance policies and procedures, add further complexity to the billing process. As such, we are at risk of being paid less or no part of our price for our products for reasons including:

- variability in coverage and information requirements among various payors;
- patient financial assistance programs;
- missing, incomplete or inaccurate billing information provided by ordering physicians;
- billings to payors with whom we do not have contracts;
- disputes with payors as to which party is responsible for payment; and
- disputes with payors as to the appropriate level of reimbursement.

In addition, we may not be free to determine the price charged for our products. Certain countries, including a number of member states of the EU, set prices and make reimbursement decisions for diagnostics and pharmaceutical products. Additionally, some countries require approval of the maximum sale price of a product before it can be marketed, and this price may be reviewed during the product lifecycle, or mandatory discounts or profit caps may be applied. In many countries, the pricing review period begins after marketing or product licensing approval is granted or the CE mark is obtained. We may therefore be constrained in our pricing strategies in markets outside of the United States.

For additional information on coverage and reimbursement in the United States, see “*Risk Factors—Risks Relating to Government Regulation—Future Medicare payment rates are uncertain.*”

### **Our Compliance Program**

Our compliance program is intended to prevent and detect violations of law or our policies. It was developed in view of both adopting the principles of the AdvaMed Code of Ethics and addressing the HHS OIG’s elements of a compliance program. We have designed our compliance program to fit the size, resources, market position and other unique aspects of our company. Our code of conduct is our statement of ethical and compliance principles that guide our daily operations. In addition, we have developed policies and procedures, and corresponding education and training, to effectively communicate our standards to employees as it relates to job functions and legal obligations under applicable state and federal healthcare program requirements, as well as those outside the United States. We regularly perform live and process monitoring activities on a risk-based approach, and audit capabilities are built into our transparency procedures. We maintain a hotline available via multiple channels to report any known or suspected compliance violations, and we have a strict non-retaliation policy for all claims brought forward in good faith.

## **Corporate Information**

We were incorporated in the State of Washington on September 8, 2009 under the name Adaptive TCR Corporation. On December 21, 2011, we changed our name to Adaptive Biotechnologies Corporation. In January 2015, we acquired Sequentia, Inc. (“Sequentia”), a San Francisco, California-based company that was also developing an NGS test for MRD (“Sequentia Acquisition”). Our principal executive offices are located at 1551 Eastlake Avenue East, Suite 200, Seattle, Washington 98102, and our telephone number is (206) 659-0067.

## **Available Information**

We maintain a website at [www.adaptivebiotech.com](http://www.adaptivebiotech.com). The contents of our website are not incorporated in, or otherwise to be regarded as part of, this Annual Report on Form 10-K. We make available, free of charge on our website, access to our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we file or furnish them electronically with the Securities and Exchange Commission (“SEC”). Investors and others should note that we announce material financial information to our investors using our investor relations website (<http://investors.adaptivebiotech.com>), SEC filings, press releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our members and the public about our company, our services and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on social media channels.

## Item 1A. Risk Factors

*Investing in our Company involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with all other information in this Annual Report on Form 10-K, including our financial statements and related notes and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, before investing in our Company. Any of the risk factors we describe below could adversely affect our business, financial condition, results of operations, prospects or the trading price of our securities. The risks described below are not the only ones we face and additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, operating results, prospects and the trading price of our securities.*

### Summary of Risk Factors

Generally, the risks described below relate to the following:

- the effects of health epidemics, including the COVID-19 pandemic, in regions where we or third parties on which we rely have significant laboratory operations, manufacturing facilities, concentrations of clinical trial sites or other business operations;
- our significant net losses since inception, expected net losses in the future and need for significant investments in products and services;
- our ability to leverage our immune medicine platform to discover, develop, commercialize and obtain regulatory clearance, authorization and approval for our products and services, particularly in light of the novelty of immune medicine and our methods;
- our ability to develop our TCR-Antigen Map and yield insights from it that are commercially viable;
- our collaboration with Genentech and ability to develop and commercialize cellular therapeutics, including our ability to achieve milestones and realize the intended benefits of the collaboration;
- our ability to leverage our immune medicine platform to discover, develop and commercialize additional products and services, including those related to COVID-19, may not be successful;
- our laboratory operations, including errors or defects in our products or services and our reliance on a limited number of suppliers, and in some cases single suppliers, for our equipment and materials, some of which include reagents or other materials that may also require additional internal validation prior to use;
- our limited experience with the development and commercialization of cellular therapeutics;
- market acceptance of our products and services, and our limited sales and marketing experience;
- our expected reliance on collaborators for development and clinical testing of therapeutic product candidates, which may fail at any time due to a number of possible unforeseen events;
- our ability to increase our capacity, manage the evolution of our products and services, stay current in our rapidly changing industry, expand our workforce and otherwise manage our growth;
- the loss of any member of our senior management team, or of the support of key opinion leaders;
- the extensive regulation of our industry, including reimbursement coverage decisions; and
- the validity of our patents, protection of our trade secrets and related intellectual property matters.

## Risks Relating to Our Business

***We have incurred significant losses since inception, we expect to incur losses in the future and we may not be able to generate sufficient revenue to achieve and maintain profitability.***

We have incurred significant losses since our inception. For the years ended December 31, 2020, 2019 and 2018, we incurred net losses of \$146.2 million, \$68.6 million and \$46.4 million, respectively. As of December 31, 2020, we had an accumulated deficit of \$511.6 million. We have funded our operations to date principally from the sale of convertible preferred stock and common stock, including the sale of common stock in our initial public offering, and, to a lesser extent, sequencing and development revenue. We have devoted most of our financial resources to the research and development of products and services under our immune medicine platform. We expect to continue to incur significant expenses and operating losses for the foreseeable future as we continue to invest in the development of products and services utilizing our immune medicine platform to support the validation of additional clinical diagnostic and therapeutic products and services. We will need to generate significant additional revenue to achieve and sustain profitability.

***We expect to make significant investments in our continued research and development of new products and services, which may not be successful.***

We are seeking to leverage our immune medicine platform to develop a pipeline of future disease-specific research, diagnostic and therapeutic products and services. For example, we are developing our TCR-Antigen Map with a view toward advancing the development of T-Detect, a diagnostic test that may enable early and accurate detection of multiple diseases, including acute Lyme and celiac disease, from a single blood test. In addition, we are developing certain therapeutic product candidates under our collaboration agreement with Genentech by leveraging our platform to identify TCRs that can be engineered into personalized cellular immunotherapies. We expect to incur significant expenses to advance these development efforts, but they may not be successful.

Developing new products and services is a speculative and risky endeavor. Products or services that initially show promise may fail to achieve the desired results or may not achieve acceptable levels of analytical accuracy or clinical utility. We may need to alter our products in development and repeat clinical studies before we identify a potentially successful product or service. Product development is expensive, may take years to complete and can have uncertain outcomes. Failure can occur at any stage of the development. If, after development, a product or service appears successful, we or our collaborators may, depending on the nature of the product or service, still need to obtain FDA and other regulatory clearances, authorizations or approvals before we can market it. The FDA's clearance, authorization or approval pathways are likely to involve significant time, as well as additional research, development and clinical study expenditures. The FDA may not clear, authorize or approve any future product or service we develop. Even if we develop a product or service that receives regulatory clearance, authorization or approval, we or our collaborators would need to commit substantial resources to commercialize, sell and market it before it could be profitable, and the product or service may never be commercially successful. Additionally, development of any product or service may be disrupted or made less viable by the development of competing products or services.

New potential products and services may fail at any stage of development or commercialization and if we determine that any of our current or future products or services are unlikely to succeed, we may abandon them without any return on our investment. If we are unsuccessful in developing additional products or services, our potential for growth may be impaired.

***If we are not successful in leveraging our immune medicine platform to discover, develop and commercialize additional products and services, our ability to expand our business and achieve our strategic objectives would be impaired.***

A key element of our strategy is to leverage our immune medicine platform to discover, develop and potentially commercialize additional products and services beyond our current portfolio to diagnose and treat various disease states. In particular, for clonoSEQ we are attempting to generate sufficient clinical evidence to support the utility of MRD in additional lymphoid cancers beyond ALL, MM and CLL, while also demonstrating the clinical utility of blood as a sample type for all lymphoid cancers. If we are unable to generate compelling evidence supporting clonoSEQ use in other indications or sample types, our platform may face a broader obstacle to using our immunosequencing data for commercially viable products and services.

Identifying new products and services requires substantial technical, financial and human resources, whether or not any products or services are ultimately developed or commercialized. We may pursue what we believe is a promising opportunity to leverage our platform only to discover that certain of our risk or resource allocation decisions were incorrect or insufficient, or that individual products, services or our science in general has technology or biology risks that were previously unknown or underappreciated. Our strategy of pursuing the value of our immune medicine platform over a long time horizon and across a broad array of human diseases may not be effective. In the event material decisions in any of these areas turn out to be incorrect or sub-optimal, we may experience a material adverse impact on our business and ability to fund our operations and we may never realize what we believe is the potential of our immune medicine platform.

***Our efforts to develop our TCR-Antigen Map may not be successful, and it may not yield the insights we expect at all or on a timetable that allows us to develop or commercialize any new diagnostic products.***

We are leveraging our collaboration with Microsoft to develop our TCR-Antigen Map. Together we are using immunosequencing, proprietary computational modeling and machine learning to map TCR sequences to the antigens they bind. However, we may not be successful in developing a comprehensive TCR-Antigen Map for any number of reasons. Our collaboration with Microsoft is in the early stages, and our computations and algorithmic-based methods are largely untested and may not allow us to accurately pair TCR sequences to a meaningful number of antigens. As a result, it may require significantly more time and resources for us to determine how to use machine learning to accelerate our mapping process, which could adversely impact our ability to develop or commercialize new diagnostic products or services. In addition, even with the aid of machine learning, we expect the TCR-Antigen Map to take us several years to develop.

The TCR-Antigen Map we are developing may not yield clinically actionable insights on a timetable that is commercially viable, or at all. Our goal is to leverage the TCR-Antigen Map in connection with the development of T-Detect to enable early or accurate detection across a broad range of diseases. We have confirmed clinical signals for SARS-CoV-2, acute Lyme disease, and Crohn's disease, but are still validating early detection testing for other disease states. If our computational modeling and machine learning efforts do not accelerate the pace at which we can validate association of TCR sequences to the antigens they bind, the timetable for our business model may not be commercially viable. Even if we can accelerate this timeline, our products and services derived from our novel technologies may have product or service level errors. If we are unable to make meaningful progress in our TCR-Antigen Map and successfully use it to develop and commercialize new diagnostic products or services, our business and results of operations will suffer.

***We are exposed to risks associated with our agreement with Genentech, and we may not realize the advantages we expect from it.***

In December 2018, we entered into a worldwide collaboration and license agreement with Genentech ("Genentech Agreement"), with the goal of accelerating the development and commercialization of novel cancer-specific antigen and neoantigen directed T cell therapies for the treatment of a broad range of tumor types. Under the terms of the Genentech Agreement, we received \$300.0 million in an initial upfront payment in February 2019 and may be eligible to receive approximately \$1.8 billion in additional payments over time upon achievement of specified development, regulatory and commercial milestones. In addition, Genentech will pay us royalties on sales of products commercialized under the agreement. We may not be successful in achieving these milestones, and products developed under the Genentech Agreement may not be commercialized in the timeframe we expect, achieve significant sales, or be commercialized at all.

We are exposed to numerous risks associated with the Genentech Agreement, including sharing a measure of control over the operations of our research and development portions of the collaboration with Genentech and Genentech having sole control over the commercialization of any products developed via the collaboration. The Genentech Agreement also prevents us from, among other things, developing or commercializing TCR-based cellular therapies outside the scope of the collaboration in the field of oncology on our own or with any third party. Our collaboration involves risks that are different from the risks involved in independently conducting operations, including that Genentech may:

- have or develop economic or business interests that are inconsistent with ours;
- take actions contrary to our instructions, requests, policies or objectives;
- take actions that reduce our return on investment for this collaboration;
- fail to distinguish itself from biosimilar competition; or
- take actions that harm our reputation or restrict our ability to run our business.

Genentech's degree of control over collaboration development and commercialization efforts may impact the amounts we receive under the Genentech Agreement. For example, Genentech may decide not to pursue commercialization of product candidates at all, or it may agree to pay royalties to third parties or adopt a pricing model that reduces the amount of royalties we might otherwise expect. It is also possible that effective cell therapies will not be developed under the Genentech Agreement or, if developed, approved by the FDA or comparable regulatory authorities outside of the United States. Genentech may also terminate the Genentech Agreement at its convenience, at any time and without cause.

We may not be able to perform our product research, development and commercialization related obligations under the Genentech Agreement, including performing TCR screening activities for product candidates being developed and commercialized under that agreement. For example, in the event a product is commercialized under the Genentech Agreement, as the volume of product sales grows, we will likely need to continue to increase our workflow capacity for sample intake, customer service and general process improvements, and expand our internal quality assurance program to support TCR screening on a larger scale within expected turnaround times. We will likely need additional certified laboratory scientists and other scientific and technical personnel for the Personalized Product to identify and target therapeutically relevant, patient-specific neoantigens. We will likely also need to acquire additional laboratory space and equipment, which can take several months or more to procure, set up and validate. These process enhancements and increases in scale, expansion of personnel, laboratory space and equipment may not be successfully implemented, and we may not have adequate space in our existing laboratory facilities to accommodate the required expansion. If we cannot satisfy our obligations, Genentech is entitled to trigger a technology transfer of our TCR screening process (specific to the Personalized Product) or terminate the Genentech Agreement. In addition, due to our significant obligations under the Genentech Agreement, we may face challenges in keeping existing customers, collaborators and suppliers and obtaining new customers, including any biopharmaceutical customers that are actual or potential competitors with Genentech.

If we support the commercialization of one or more products under the Genentech Agreement, we may need to incorporate new equipment, implement new technology systems and laboratory processes and hire new personnel with different qualifications. Failure to manage this growth or transition could result in turnaround time delays, higher product costs, declining product quality, deteriorating customer service and slower responses to competitive challenges. A failure in any one of these areas could make it difficult for us to meet market expectations for our products and could damage our reputation and the prospects for our business, both under the Genentech Agreement and otherwise. As a result, our relationship with Genentech may not result in the realization of its anticipated benefits.

***We have limited experience with the development and commercialization of cellular therapeutics, and future TCR-based cellular therapies may never be successfully developed and commercialized as part of our Genentech collaboration.***

We have limited experience with the development of cellular therapeutics, and no experience with the commercialization, marketing and distribution of cellular therapeutics. Our therapeutic product candidates are at an early stage of discovery and development under our Genentech collaboration, and we are continuing to develop our TruTCR process being used under that collaboration to develop TCR-based cellular therapies for the treatment of cancer. Under our Genentech collaboration, Genentech has invested significant financial resources to develop future TCR-based cellular therapies, including conducting preclinical studies and other early research and development activities, and providing general and administrative support for these operations. Our future success is dependent on our and Genentech's ability to successfully develop therapeutic product candidates, and Genentech's ability, where applicable, to obtain regulatory and marketing approval for, and then successfully commercialize, cellular therapeutics. We and Genentech have not yet developed and commercialized any cellular therapeutics, and we may not be able to do so.

***We currently use, and in the future expect to increase our use of, collaborators for several aspects of our operations, and if we cannot maintain current and enter new relationships with collaborators, our business will suffer.***

We have limited resources to conduct our life sciences research, clinical diagnostics and drug discovery operations and have not yet fully established infrastructure for sales, marketing or distribution in connection with our products and services. Accordingly, we have entered into collaboration agreements under which our collaborators have provided, and may in the future provide, funding and other resources for developing and potentially commercializing our products and services. In particular, we have entered into the Genentech Agreement, with the goal of accelerating the development and commercialization of T cell therapies for the treatment of a broad range of tumor types, and a strategic collaboration agreement with Microsoft ("Microsoft Agreement"), which provides us with access to Microsoft's research and machine learning technologies that we are using to develop our TCR-Antigen Map. These collaborations may result in our incurring significant expenses in pursuit of potential products and services, and we may not be successful in identifying, developing or commercializing any potential products or services.

Our future success depends in part on our ability to maintain these relationships and to establish new relationships. Many factors may impact the success of such collaborations, including our ability to perform our obligations, our collaborators' satisfaction with our products and services, our collaborators' performance of their obligations to us, our collaborators' internal priorities, resource allocation decisions and competitive opportunities, the ability to obtain regulatory approvals, disagreements with collaborators, the costs required of either party to the collaboration and related financing needs, and operating, legal and other risks in any relevant jurisdiction. In addition to reducing our revenue or delaying the development of our future products and services, the loss of one or more of these relationships may reduce our exposure to research, data, clinical trials or computing technologies that facilitate the collection and incorporation of new information into our clinical immunomics database. All of the risks relating to product and service development, regulatory clearance, authorization or approval and commercialization described herein apply to us derivatively through the activities of our collaborators.



We engage in conversations with companies regarding potential collaborations on an ongoing basis. These conversations may not result in a commercial agreement. Even if an agreement is reached, the resulting relationship may not be successful, and any products and services developed as part of the collaboration may not produce successful outcomes. Speculation in the industry about our existing or potential collaborations can be a catalyst for adverse speculation about us, or our products or services, which can adversely affect our reputation and our business.

***Significant additional research and development and, in certain instances, clinical trials or validation will be required before we can potentially seek regulatory clearance, authorization or approval for, or commercialize any of our products or services in development.***

We are developing a pipeline of immune-driven diagnostics and therapeutics, including T-Detect (formerly immunoSEQ Dx) and cellular therapies in oncology, but significant additional research and development activities and clinical trials or validations could be required before we and our collaborators will have a chance to achieve additional commercially viable products. Our research and development efforts remain subject to all of the risks associated with the development of new products and services based on immune-driven diagnostics and immune-mediated therapies. Development of the underlying technology may be affected by unanticipated technical or other problems, among other research and development issues, and the possible insufficiency of funds needed to complete development of these products and services. Safety, regulatory and efficacy issues, clinical hurdles or other challenges may result in delays and cause us to incur additional expenses that would increase our losses. If we and our collaborators cannot complete, or if we experience significant delays in developing, our clinical diagnostics or cellular therapies, particularly after incurring significant expenditures, our business may fail and investors may lose the entirety of their investment.

Prior to obtaining regulatory clearances, authorizations or approvals for the commercial sale of any new products or services, we must demonstrate that our products and services are both safe and effective for use in each target disease indication. Clinical studies may be necessary to demonstrate that a product or service is safe and effective. Clinical testing or validation is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time. For therapeutics, the results of preclinical studies and early clinical trials of products and services in development may not be predictive of the results of later-stage clinical trials, and initial success in clinical trials may not be indicative of results obtained when clinical trials are completed. There is typically an extremely high rate of failure as therapeutic products in development proceed through clinical trials. Products in later stages of clinical trials or validation also may fail to show the desired safety and efficacy profile despite having progressed through non-clinical studies and initial clinical trials or validations. Any delays in the development of our products and services may harm our business, financial condition and prospects significantly.

***Errors or defects in our products or services could harm our reputation, decrease market acceptance of our products or services or expose us to product liability claims.***

We are creating new products and services, many of which are initially based on largely untested technologies. As all of our products and services progress, we or others may determine that we made product or service level scientific or technological mistakes or omissions. The testing processes utilize a number of complex and sophisticated biochemical, informatics, optical and mechanical processes, many of which are highly sensitive to external factors and variation between testing runs. Refinements to our processes may initially result in unanticipated issues that reduce the efficiency or increase variability. In particular, sequencing, which is a key component of these processes, could be inefficient with higher than expected variability thereby increasing total sequencing costs and reducing the number of samples we can process in a given time period, which may negatively impact customer turnaround time. Therefore, inefficient or variable processes can cause variability in our operating results and damage our reputation.

In addition, our laboratory operations could result in any number of errors or defects. Our quality assurance system or product development processes may fail to prevent us from inadvertent problems with samples, sample quality, lab processes including sequencing, software, data upload or analysis, raw materials, reagent manufacturing, assay quality or design, or other components or processes. In addition, our assays may have quality or design errors, and we may have inadequate procedures or instrumentation to process samples, assemble our proprietary primer mixes and commercial materials, upload and analyze data, or otherwise conduct our laboratory operations. If we provide products or services with undiscovered errors to our customers, our clinical diagnostics may falsely indicate a patient has a disease or fail to detect disease in a patient who requires treatment. We believe our customers are likely to be particularly sensitive to product and service defects, errors and delays, including if our products and services fail to indicate the presence of residual disease with high accuracy from clinical specimens or if we fail to list or inaccurately indicate the presence or absence of disease in our test report. In drug discovery, such errors may interfere with our collaborators' clinical studies or result in adverse safety or efficacy profiles for their products in development. This may harm our customers' businesses and may cause us to incur significant costs, divert the attention of key personnel, encourage regulatory enforcement action against us, create a significant customer relations problem for us and cause our reputation to suffer. We may also be subject to warranty and liability claims for damages related to errors or defects in our products or services. Any of these developments could harm our business and operating results.

***Our current and future products and services may never achieve significant commercial market acceptance.***

Our success depends on the market's confidence that we can provide immune-driven research, diagnostic and therapeutic products and services that improve clinical outcomes, lower healthcare costs and enable better biopharmaceutical development. Failure of our products and services, or those jointly developed with our collaborators, to perform as expected could significantly impair our operating results and our reputation. We believe patients, clinicians, academic institutions and biopharmaceutical companies are likely to be particularly sensitive to defects, errors, inaccuracies, delays and toxicities in or associated with our products and services. Furthermore, inadequate performance of these products or services may result in lower confidence in our immune medicine platform in general.

We and our collaborators may not succeed in achieving significant commercial market acceptance for our current or future products and services due to a number of factors, including:

- our ability to demonstrate the clinical utility of our immune medicine platform and related products and services and their potential advantages over existing life sciences research, clinical diagnostic and drug discovery technologies to academic institutions, biopharmaceutical companies and the medical community;
- our ability, and that of our collaborators, to secure and maintain FDA and other regulatory clearance, authorization or approval for our products;
- the agreement by third-party payors to reimburse our diagnostics, the scope and extent of which will affect patients' willingness or ability to pay for our diagnostics, even in markets that we expect to be primarily self-pay, and will likely heavily influence physicians' decisions to recommend our tests;
- the rate of adoption of our immune medicine platform and related products and services by academic institutions, clinicians, key opinion leaders, advocacy groups and biopharmaceutical companies; and
- the impact of our investments in product innovation and commercial growth.

Additionally, our customers and collaborators may decide to decrease or discontinue their use of our products and services due to changes in their research and development plans, failures in their clinical trials, financial constraints, the regulatory environment, negative publicity about our products and services, competing products or the reimbursement landscape, all of which are circumstances outside of our control. We may not be successful in addressing these or other factors that might affect the market acceptance of our products, services and technologies. Failure to achieve widespread market acceptance of our immune medicine platform and related products and services would materially harm our business, financial condition and results of operations.

***We rely on a limited number of suppliers or, in many cases, single suppliers, for laboratory equipment and materials and may not be able to find replacements or immediately transition to alternative suppliers.***

We rely on a limited number of suppliers, or in many cases single suppliers, to provide certain sequencers and equipment that we use in our laboratory operations, as well as reagents and other laboratory materials for our products and services. An interruption in our laboratory operations, kit distribution or technology transfer could occur if we encounter delays, quality issues or other difficulties in securing these sequencers, equipment, reagents or other materials, and if we cannot then obtain an acceptable substitute. In addition, we would likely be required to incur significant costs and devote significant efforts to find new suppliers, acquire and qualify new equipment, validate new reagents and revalidate aspects of our existing assays, which may cause delays in our processing of samples or development and commercialization of products and services. Any such interruption could significantly affect our business, financial condition, results of operations and reputation. Internal changes in processes or compositions of our reagents or other materials may also require validation efforts by us and supply of new materials from our suppliers which could impact timing of production and levels of inventory while such changes are being implemented. Further, as a result of the COVID-19 pandemic, the overall demand for supplies and equipment used in vaccine development and distribution or other public health or disease prevention initiatives, such as Hamilton tips and freezers, may continue to increase lead times for purchased supplies and equipment, thus potentially lowering our production capacity. Combined with lowered production capacity, any significantly increased demand for new products or services such as T-Detect may affect our ability to fulfill orders, resulting in a material adverse effect on volume or revenue.

In particular, we have purchased and rely on the Illumina NextSeq System. Illumina supplies us with reagents that have been designed for use solely with this sequencer and Illumina is the sole provider of maintenance and repair services for the Illumina NextSeq System. We also license our laboratory information management software from Illumina and receive services from Illumina related to that software. We believe there are only a few other equipment manufacturers that are currently capable of supplying the equipment necessary for our laboratory operations, including sequencers and various associated reagents. The use of sequencers manufactured by a company other than Illumina would require us to alter our laboratory operations. Transitioning to and qualifying a new sequencer would be time-consuming and expensive, may result in interruptions in our laboratory operations, could affect the performance specifications of our laboratory operations or could require that we revalidate the reagents of our immunoSEQ kits, immunoSEQ services, T-Detect or clonoSEQ diagnostic testing services, and could require us to obtain additional clearance, authorization, approval, accreditation, or licensure for the changes. We may not be able to secure and implement alternative sequencers, associated reagents and other materials without experiencing interruptions in our workflow. In the case of an alternative supplier to Illumina, any replacement sequencers and various associated reagents may not be available or may not meet our quality control and performance requirements for our laboratory operations. If we should encounter delays or difficulties in securing, reconfiguring or revalidating the equipment and reagents we require for our products and services, our business, financial condition, results of operations and reputation could be adversely affected. In addition, Illumina is not obligated to meet all of our requirements for reagent supply. In the event Illumina ceases or slows its production of, or is otherwise unwilling or unable to continue to supply the sequencer reagents necessary for and currently used in our business at or near current pricing, we may be required to purchase different reagents from Illumina or to purchase from a different reagent vendor under terms and conditions which could be less favorable to us. Any disruption in Illumina's operations or the suppliers of our reagents, materials or other equipment could impact our supply chain and laboratory operations of our immune medicine platform and our ability to conduct our business and generate revenue.

***We have limited experience in marketing and selling products and services, and if we are unable to expand our direct sales and marketing force or partner with collaborators in certain product areas and markets to adequately address our customers' needs, our business may be adversely affected.***

We have limited experience in marketing and selling our research and diagnostic products and services and no experience marketing and selling therapeutic products and services. Accordingly, we or our collaborators may not be able to market and sell our current or future products and services effectively enough to support our planned growth.

Our research and diagnostic sales and marketing efforts are targeted at a large and diverse market with highly specialized segments, including department heads, laboratory directors, principal investigators, core facility directors, clinicians, payors and research scientists and pathologists at leading academic institutions, biopharmaceutical companies, research institutions and contract research organizations. As a result, we believe it is necessary for our sales representatives to have relevant, specialized market experience. Our internal sales organization is currently small, and competition for experienced sales and marketing personnel is intense. We may not be able to attract and retain personnel or be able to build or adequately train an efficient and effective sales organization, which could negatively impact sales and market acceptance of our clinical diagnostics and limit our revenue growth and potential profitability. We have engaged distributors for our improved immunoSEQ RUO kit in Japan and the United States. We may not be able to engage a distribution partner in other countries on favorable terms, or at all.

We established a collaboration with Genentech for the research, development, marketing, promotion, distribution and sale of TCR-based cellular therapies for the treatment of cancer. Under the Genentech Agreement, Genentech has the sole right and authority to commercialize products developed under that agreement. It will be Genentech's responsibility to locate, qualify and engage distribution partners, clinicians and local hospitals with industry experience and knowledge to effectively market and sell products developed under that agreement. Genentech may not be able to engage distribution partners, clinicians or hospitals on favorable terms, or at all. If Genentech's sales and marketing efforts with respect to products developed under the Genentech Agreement are not successful, we may not achieve significant market acceptance for our drug discovery services and platform, which would materially and adversely impact our business operations.

***If we or our collaborators experience any of a number of possible unforeseen events in connection with clinical trials, our or their ability to conduct further clinical trials of, obtain regulatory clearance, authorization or approval of or commercialize future products and services or improvements to current products and services, could be delayed or prevented.***

We or our collaborators may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our or their ability to conduct further clinical trials or obtain regulatory clearance, authorization or approval of or commercialize future products and services or improvements to current products and services, including:

#### *Evolving Regulatory Requirements and Policies*

- the area of "precision medicine" or "personalized medicine" and its regulation may be subject to ongoing changes in terms of regulatory requirements and governmental policies, in ways we cannot predict;

### *Trial Design*

- regulatory authorities or ethical review boards, including IRBs, may not authorize commencement of a clinical trial or conduct a clinical trial at a prospective trial site;
- there may be delays in reaching or failure to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- the FDA or other regulatory authorities may disagree with a clinical trial design or a sponsor's interpretation of data and may change the requirements for product clearance, authorization or approval even after they have reviewed and commented on the clinical trial design;
- differences in trial design between early stage clinical trials and later-stage clinical trials may make it difficult to extrapolate the results of earlier clinical trials to later clinical trials;
- the FDA or other regulatory authorities may disagree about whether study endpoints are clinically meaningful;
- the number of patients, or amount of data, required for clinical trials, or improvements to current products, may be larger than anticipated, patient enrollment in these clinical trials may be slower than anticipated or patients may drop out of clinical trials at a higher rate than anticipated;

### *Testing*

- changes may be made to product candidates after commencing clinical trials, which may require that previously completed stages of clinical testing be repeated or delay later stages of testing, for example, we, or our collaborators, may pursue one or more different product development pathways for our T cell immunotherapies;
- clinical trials may fail to satisfy the applicable regulatory requirements of the FDA or other regulatory authorities responsible for oversight of the conduct of clinical trials in other countries;
- regulators may elect to impose a clinical hold, or governing IRBs, data safety monitoring board or ethics committees may elect to suspend or terminate our clinical research or trials for various reasons, including non-compliance with regulatory requirements or a finding that the participants are being exposed to unacceptable risks to their health or the privacy of their health information being disclosed;
- the cost of clinical trials of future products and services, or improvements to current products and services, may be greater than we anticipate;
- we may not have sufficient capacity in our laboratories, including the additional capacity we expect to come online as the result of the anticipated expansion of our corporate headquarters, to perform testing as requested or volumes requested or with the requested turnaround times necessary for clinical trials;
- the supply or quality of materials or data necessary to conduct clinical trials of future products and services, or improvements to current products and services, may be insufficient or inadequate;

### *Trial Outcomes*

- the outcome of our collaborators' preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results;
- product candidates may be associated with negative or inconclusive results in clinical trials, and we or our collaborators may decide to deprioritize or abandon these product candidates, or regulatory authorities may require us to abandon them or impose onerous changes or requirements, which could lead to deprioritization or abandonment;
- product candidates may have undesirable side effects which could lead to serious adverse events, or other unexpected characteristics. One or more of such effects or events could cause regulators to impose a clinical hold on the applicable trial, or cause us, our collaborators or their investigators, IRBs or ethics committees to suspend or terminate the trial of that product candidate;
- clinical trials may suggest or demonstrate that products or services are not as efficacious or safe as other similar diagnostics or therapies; and
- preclinical and clinical data are often susceptible to varying interpretations and analyses, and our products and services in development may fail to obtain regulatory clearance, authorization or approval, even if they perform satisfactorily in preclinical studies and clinical trials.

Delays of this nature could also allow competitors to bring products to market before we or our collaborators do, potentially impairing our ability to successfully commercialize our products and services in development and harming our business and results of operations. Any delays in the development of our products and services or those jointly developed with our collaborators may significantly harm our business, financial condition and prospects. Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory clearance, authorization or approval of products and services in development.

***We will need to develop and expand our workforce, commercial infrastructure and laboratory operations to support anticipated growth in demand for our products and services. We may encounter difficulties in managing this and in meeting fluctuations in this demand.***

We will need to expand our workforce, commercial infrastructure and laboratory operations to support anticipated growth in demand for our products and services. If we are unable to support fluctuations in the demand for our products and services, including ensuring that we have adequate capacity to meet increased demand as well as other customer requirements (such as turnaround time and service level), our business could suffer. As of December 31, 2020, we had 622 full-time employees and we expect to increase the number of employees, including potential contingent employees as needed to address demand fluctuations, and the scope of our operations as we continue to develop our clinical diagnostic products and services. As we and our collaborators commercialize additional products and services, we will need to incorporate new equipment, implement new technology systems and laboratory processes and hire new personnel with different qualifications. Failure to manage this growth or transition could result in turnaround time delays, higher service costs, declining service quality, deteriorating customer service and slower responses to competitive challenges. A failure in any one of these areas could make it difficult for us to meet market expectations for our products and services and could damage our reputation and the prospects for our business.

To manage our anticipated expansion, we must continue to implement and improve our managerial, operational and financial systems, continue to expand our facilities (including our corporate headquarters in Seattle, Washington and cellular lab in South San Francisco, California) and continue to recruit and train additional qualified personnel. Also, our management and operations teams may need to divert a disproportionate amount of their attention away from their day-to-day activities and devote a substantial amount of time to managing these development and improvement activities. Due to our limited resources and early stage of growth, we may not be able to effectively manage this simultaneous execution and the expansion of our operations or recruit and train additional qualified personnel. This may result in weaknesses in our infrastructure, operational mistakes, slower development of our products and services, missed or delayed milestone achievement, significant cost overruns, loss of business opportunities, loss of employees, inability to execute on hiring plans and reduced productivity among remaining employees.

If our management is unable to effectively manage our expected development and expansion, our expenses may increase more than expected, our ability to generate or increase our revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance, and our ability to develop and commercialize our products and services and compete effectively, will depend, in part, on our ability to effectively manage our future development and expansion.

***Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic, in regions where we or third parties on which we rely have significant laboratory operations, manufacturing facilities, concentrations of clinical trial sites or other business operations. The COVID-19 pandemic could materially affect our operations, including at our headquarters in Seattle and at our offices in South San Francisco, each subject to COVID-19 related government restrictions, as well as the business or operations of our manufacturers, contract research organizations or other third parties with whom we conduct business.***

Our business could be adversely affected by global pandemics or health epidemics in regions where we have concentrations of clinical trial sites or other business operations, and such pandemics or epidemics could cause significant disruption in the operations of third-party manufacturers, suppliers, general contractors and sub-contractors related to capital projects and CROs upon whom we rely. For example, in December 2019, a novel strain of coronavirus, SARS-CoV-2, causing a disease referred to as COVID-19, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States and several European countries, and the World Health Organization has declared the outbreak a “pandemic.” In response to the pandemic, the U.S. government has imposed travel restrictions on travel between the United States, Europe and certain other countries. Further, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. Most of our facilities and employees are based in Seattle, Washington at our corporate headquarters, where the state government has imposed “stay at home” restrictions designed to slow the spread of COVID-19, which have disrupted our normal operations. Similarly, San Mateo County, California had a “shelter-in-place” order with restrictions that have disrupted our normal operations in our South San Francisco office.

With respect to our laboratory operations, we intend to rely on the measures implemented in the first half of 2020 to reduce the risk of exposure of COVID-19 to the employees who continue to work on site as part of government-defined essential services, including the implementation of work-from-home policies for certain employees, as well as the implementation of teams and zones to physically distance employees who remain on site. These policies may be modified as employees become vaccinated, causing additional operational disruption. We work with a variety of materials and samples from COVID-19 patients that could be hazardous to human health. We intend to continue to adhere to the safety measures implemented to reduce the risk of exposure to our on-site staff. In the event of COVID-19 exposure to our employees, it is possible that all or a portion of our operations could be materially disrupted.

The effects of the stay at home orders or similar government orders and our work-from-home and teams and zones measures may negatively impact productivity, disrupt our business and delay our clinical programs and corporate expansion initiatives, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations regarding our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results and financial condition.

Quarantines, stay at home orders and similar government orders, or the perception that such orders, shutdowns or other restrictions on business operations could occur, whether related to COVID-19 or other infectious diseases, could impact personnel at third-party manufacturing or supplier facilities in the United States and other countries, or the availability or cost of materials, which would disrupt our supply chain. In addition, public health measures undertaken to combat the COVID-19 pandemic or vaccine development and distribution efforts may increase demand for equipment, such as freezers, or supplies, such as Hamilton tips, which we use in the ordinary course of our business. This increased demand has resulted in longer lead times for equipment purchases and may result in internal conservation of supplies, which may slow production.

While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, clinical trials, corporate expansion plans and other initiatives, or the impacts to healthcare systems or the global economy as a whole. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

***The COVID-19 pandemic could adversely impact portions of our business that rely on research and development activities or clinical trials and delay or disrupt our pipeline, which may adversely impact revenue.***

The extent to which the COVID-19 pandemic may impact our business with respect to research and development and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, vaccine distribution, variants of the virus, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. As the COVID-19 pandemic continues to spread around the globe, we will likely experience disruptions that could severely impact our business with respect to research and development and clinical trials, including:

- delays or difficulties in enrolling patients or maintaining scheduled study visits in our clinical trials;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- diversion of healthcare resources away from the conduct of clinical trials related to our non-COVID-19 related products and services, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- limitations in employee resources that would otherwise be focused on the conduct of our business with respect to research and development or clinical trials, including due to illness of our employees or their families, an increase in childcare responsibilities for certain employees, the desire of our employees to avoid close contact or contact with large groups of people or as a result of the governmental imposition of stay at home orders or similar working restrictions;
- delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- delays in clinical sites receiving the supplies and materials needed to conduct clinical trials;

- interruption in global shipping that may affect the transport of clinical trial materials;
- changes in local regulations as part of a response to the COVID-19 pandemic, which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or discontinuing clinical trials altogether;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees; and
- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States.

In addition, regulatory milestones represent a substantial part of our business strategy and are a key component of development revenue. The disruptions set forth above may materially affect our ability to achieve regulatory milestones, resulting in delays in our clinical pipeline and a material adverse effect on revenues.

***Our efforts to discover and develop products and services related to COVID-19 may not be successful from either a platform extension or commercialization perspective.***

We are attempting to leverage our immune medicine platform to discover and develop potential antibody therapies and diagnostics for COVID-19. In December 2020, we launched an early access program for T-Detect COVID to confirm past SARS-CoV-2 infection, and we also developed a therapeutic antibody discovery process called TruAB from which neutralizing antibodies to SARS-CoV-2 have been produced. Our efforts in this area are early and continue to evolve and mature continuously as we augment our databases and pool of knowledge.

While we believe quantifying virus-specific T cells may provide important research and diagnostic advantages because T cells appear earlier than antibodies and persist longer, the data upon which such belief is based is limited and our analyses are preliminary. As we continue to collect and analyze additional data, we may find that our initial hypotheses are not applicable to new variants of the SARS-CoV-2 virus or are not supported by a larger data set or further analysis. If our beliefs regarding the effectiveness of T-Detect COVID are incorrect, that could have a material adverse effect on the market for T-Detect COVID, our revenue, reputation, financial condition, and our stock price would be adversely impacted. Failure to obtain an EUA for a COVID-19 LDT can impair immunity under the PREP Act and could also make payor reimbursement for COVID-19 LDTs under the Family First Coronavirus Act unavailable.

Our efforts to further develop and commercialize T-Detect COVID and neutralizing antibodies for COVID-19 involve a high degree of risk, and our efforts may fail for many reasons, including:

- failure of our products to be effective against new variants of COVID-19;
- lack of new patients infected by COVID-19 that require neutralizing antibody treatment due to increased availability of vaccines;
- failure of T-Detect COVID or TruAB to perform as expected, including defects and errors;
- failure to obtain a suitable partner for neutralizing antibody therapeutics;
- lack of validation data, particularly as new variants of COVID-19 arise;
- failure to demonstrate the analytical accuracy or clinical utility of existing antibody therapies and diagnostic tests;
- failure to obtain the necessary regulatory approvals or clearances; or
- commercial disruption caused by the development of competing products or services.

Additionally, there can be no assurances as to the commercial success of either T-Detect COVID or other neutralizing antibody or diagnostic tests. Our investments in the discovery and development of products and services related to COVID-19 may not be accretive to our future financial results and if we determine that any product or service is unlikely to succeed, we may abandon them without any return on our investment.

***Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance we may provide.***

Our financial condition and operating results have varied in the past and will continue to fluctuate from quarter-to-quarter and year-to-year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following, as well as other factors described elsewhere in this Annual Report on Form 10-K:

- the timing of upfront payments from our collaborators;
- our ability and that of our collaborators to develop and successfully commercialize our products and services;
- our ability to achieve collaboration-based milestones on currently contemplated timelines, or at all;
- availability and extent of reimbursement by governmental and private payors for our products and services;
- the ability of our clinical sales teams to convert physicians from using incumbent products in the market to clonoSEQ and new diagnostic products and services we may develop;
- our ability to drive repeat usage of the clonoSEQ diagnostic test by physicians and get reimbursed for that repeat usage by commercial and government payors for monitoring of MRD;
- the outcomes of research initiatives, clinical trials or other product development or approval processes conducted by us or our collaborators;
- the level of demand for our products and services, which may vary significantly or be unknown for our newest products and services, such as T-Detect or immunoSEQ T-MAP COVID;
- our relationships, and any associated exclusivity terms, with collaborators;
- our ability to manage our growth;
- our contractual or other obligations to provide resources to fund our products and services and to provide resources to our collaborations;
- delays or failures in advancement of future products in clinical trials by us or our collaborators;
- risks associated with the future international expansion of our business, including the potential to conduct clinical trials and commercialize our products and services in multiple international locations;
- our ability and that of our collaborators to consistently manufacture our products;
- our dependence on, and the need to attract and retain, key management and other personnel;
- our ability to obtain, protect and enforce our intellectual property rights;
- our ability to prevent the theft or misappropriation of our intellectual property, know-how or technologies;
- our ability to obtain additional capital that may be necessary to expand our business;
- our ability to accurately report our financial results in a timely manner;
- business interruptions such as power outages, strikes, acts of terrorism or natural disasters; and
- our ability to use our net operating loss (“NOL”) carryforwards to offset future taxable income.

The cumulative effects of factors discussed above could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of our future performance. In any particular period, our operating results could be below the expectations of securities analysts or investors, which could cause our stock price to decline.

While as a general matter we intend to periodically report on the status of our development initiatives, including anticipated next steps, we may not provide forward-looking guidance on the timing of those next steps. In addition, we do not control the timing of disclosure of any such milestones related to any of our products and services that are managed by our collaborators. Any disclosure by us or our collaborators of data that is perceived as negative may have a material adverse impact on our stock price or overall valuation. Our stock price may decline as a result of unexpected clinical trial results in one or more of our products and services, including adverse safety events reported for any of our products or services.



***We have estimated the sizes of the markets for our current and future products and services, and these markets may be smaller than we estimate.***

Our estimates of the annual addressable markets for our current products and services and those under development are based on a number of internal and third-party estimates, including, without limitation, the number of patients who have developed one or more of a broad range of cancers, the number of individuals who are at a higher risk for developing one or more of a broad range of cancers, the number of individuals who have developed or are at a higher risk of developing certain autoimmune disorders, the number of individuals with certain infectious diseases we or our collaborators are able to treat through our products and services, the proportion of patients in each market whose needs can be addressed by our or our collaborators' products and services, the number of potential tests utilized per treatment course per patient and the assumed prices at which we can sell our current and future products and services for markets that have not been established. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates of the annual addressable market for our current or future products and services may prove to be incorrect. If the actual number of patients who would benefit from our products or services, the price at which we can sell future products and services or the annual addressable market for our products or services is smaller than we have estimated, it may impair our sales growth and have an adverse impact on our business.

***If we do not compete effectively with scientific and commercial competitors, we may not be able to successfully commercialize our products and services.***

The biotechnology and pharmaceutical industries, including the fields of life sciences research, clinical diagnostics and drug discovery are intense and highly competitive. These fields are characterized by rapidly advancing technologies and a strong emphasis on intellectual property. Given the breadth and promise of immune medicine, we face substantial competition from many different sources, including life sciences tools, diagnostics, pharmaceutical and biotechnology companies, academic research institutions and governmental agencies and public and private research institutions across various components of our platform and product and service offerings. Due to the significant interest and growth in immune medicine more broadly, we expect the intensity of the competition to increase.

For instance, in life sciences research, immunoSEQ faces competition from a number of companies, including Thermo Fisher Scientific Inc. and 10X Genomics, Inc., among others. In clinical diagnostics, our clonoSEQ MRD test faces competition from both conventional and next-generation flow cytometry performed either in-house by our target customers or by reference labs, as well as from labs and institutions advancing research-use-only MRD technologies for clinical applications. In drug discovery, clinical trials of immune medicines are being undertaken by a number of industry and academic players.

Our competitors may have or obtain the knowledge necessary to generate and characterize similar data to our known data for the purpose of identifying and developing products or services that could compete with any of our products or services. Further, immune medicine is being pursued by several biotechnology companies as well as by large-cap biopharmaceutical companies. Many of our current or potential competitors, either alone or with their collaboration partners, have significantly greater financial resources and expertise in research and development, manufacturing, regulatory approval and compliance, and sales and distribution than we do.

We could be adversely affected if we do not develop our life sciences research, clinical diagnostic and drug discovery products and services, obtain required regulatory and other clearances, authorizations or approvals, obtain or enforce patents covering our discoveries and launch our products and services before our competitors. Moreover, our competitors may succeed in developing immunosequencing-based life sciences research, clinical diagnostics and drug discoveries that circumvent our technologies, products or services. Our competitors may succeed in developing and commercializing research or diagnostic products or services that are more accurate, more convenient to use or more cost-effective than our products or services or therapeutic products that prove to be safer, more effective, more convenient to administer or more cost-effective than any therapeutic products we may develop with our collaborators or that would render our technologies, products and services less competitive or obsolete. We expect competition to intensify in the fields in which we are involved as technical advances in these fields occur and become more widely known. For additional information regarding our competition, see the "Business—Competition" section of this Annual Report on Form 10-K.

***The life sciences industry is subject to rapid change, which could make our immune medicine platform and related products and services that we develop obsolete.***

Our industry is characterized by rapid changes, including technological and scientific breakthroughs, frequent new product and service introductions and enhancements and evolving industry standards, all of which could make our current and future products and services obsolete. Our future success will depend on our ability to keep pace with the evolving needs of our customers on a timely and cost-effective basis and to pursue new market opportunities that develop as a result of scientific and technological advances. In recent years, there have been numerous advances in technologies relating to life sciences research and the diagnosis and treatment of cancer, other diseases and autoimmune disorders. There have also been advances in technologies used to computationally analyze very large amounts of biologic information. If we do not update our products and services to reflect new scientific knowledge about immunosequencing, immunology, computational biology, software development, new disease diagnostics and therapies or the diseases we seek to treat, our products and services could become obsolete and sales of our current products and services and any future products and services we develop based on our immune medicine platform could decline or fail to grow as expected.

***The loss of any member of our senior management team or our inability to attract and retain highly skilled scientists, clinicians and salespeople could adversely affect our business.***

Our success depends on the skills, experience and performance of key members of our senior management team, including Chad Robins, our chief executive officer and co-founder, Dr. Harlan Robins, our chief scientific officer and co-founder, and Julie Rubinstein, our president. The individual and collective efforts of these employees will be important as we continue to develop products and services based on our immune medicine platform. The loss or incapacity of existing members of our executive management team could adversely affect our operations if we experience difficulties in hiring qualified successors. Our executive officers have signed employment agreements with us, but their service is at-will and may end at any point in time.

Our research and development initiatives and laboratory operations depend on our ability to attract and retain highly skilled scientists, technicians and software engineers. We may not be able to attract or retain qualified scientists, technicians or software engineers in the future due to the competition for qualified personnel among life sciences and technology businesses, particularly near our headquarters located in Seattle, Washington and our laboratory facilities located in South San Francisco, California. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. We may have difficulties locating, recruiting or retaining qualified salespeople. Recruiting, training and retention difficulties can limit our ability to support our research and development and commercialization efforts. All of our employees are at-will, which means that either we or the employee may terminate their employment at any time.

In addition, we rely on consultants, contractors and advisors, including scientific and clinical advisors, to assist us in formulating our research and development, regulatory and commercialization strategy. Our consultants and advisors may provide services to other organizations and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. The loss of the services of one or more of our current consultants or advisors might impede the achievement of our research, development, regulatory and commercialization objectives. In addition, we have flexibly grown our workforce through the use of contractors and part-time workers. We may not be able to retain the services of such personnel which might result in delays in the operation of our business.

***If we lose the support of key thought leaders, it may be difficult to establish products and services enabled by our immune medicine platform as industry standards, which may limit our revenue growth and ability to achieve profitability.***

We have established relationships with leading oncology, hematology, immunology, autoimmunity or inflammatory disease, transplantation and solid tumor thought leaders at premier academic and research institutions. If these key thought leaders determine that our immune medicine platform or our current or future products or services are not clinically effective, determine that alternative technologies are more effective or elect to use internally developed services, we could encounter significant difficulty validating our products or services, driving adoption or establishing our immune medicine platform as an industry standard, which would limit our revenue growth and our ability to achieve profitability. In addition, negative publications or reviews by clinicians, industry groups or other important stakeholders may negatively impact our revenue growth and ability to achieve profitability.

***We depend on our information technology systems and any failure of these systems could harm our business.***

We depend on information technology and telecommunications systems, including third-party cloud computing infrastructure, operating systems and artificial intelligence platforms, for significant elements of our operations, including our laboratory information management system, clinical immunomics database, immunoSEQ Analyzer, TCR-Antigen Map, laboratory workflow tools, customer and collaborator reporting and related functions. We also depend on our proprietary workflow software to support new product and service launches and regulatory compliance.

We use complex software processes and pipelines to manage samples and evaluate sequencing result data. These are subject to initial design or ongoing modifications which may result in unanticipated issues that could cause variability in patient results, leading to service disruptions or errors, resulting in liability.

We have installed, and expect to expand, a number of enterprise software systems that affect a broad range of business processes and functional areas, including systems handling human resources, financial controls and reporting, contract management, regulatory compliance and other infrastructure operations. In addition to these business systems, we have installed, and intend to extend, the capabilities of both our preventative and detective security controls by augmenting the monitoring and alerting functions, the network design and the automatic countermeasure operations of our technical systems. These information technology and telecommunications systems support a variety of functions, including laboratory operations, test validation, sample tracking, quality control, customer service support, billing and reimbursement, research and development activities, scientific and medical curation and general administrative activities. In addition, our third-party billing and collections provider depends upon technology and telecommunications systems provided by outside vendors.

Information technology and telecommunications systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts (such as ransomware) and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, failures or significant downtime of these systems or those used by our collaborators or subcontractors could prevent us from conducting our comprehensive immunosequencing analysis, clinical diagnostics and drug discovery, preparing and providing reports to researchers, clinicians and our collaborators, billing payors, handling physician inquiries, conducting research and development activities and managing the administrative aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business and our reputation, and we may be unable to regain or repair our reputation in the future.

***International expansion of our business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.***

Because we and our collaborators currently market our products and services outside of the United States and may market future products and services outside of the United States, if cleared, authorized or approved, our business is subject to risks associated with doing business outside of the United States, including an increase in our expenses and diversion of our management's attention from the development of future products and services. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including:

- multiple, conflicting and changing laws and regulations such as privacy, security and data use regulations, tax laws, export and import restrictions, economic sanctions and embargoes, employment laws, anticorruption laws, regulatory requirements, reimbursement or payor regimes and other governmental approvals, permits and licenses;
- failure by us, our collaborators or our distributors to obtain regulatory clearance, authorization or approval for the use of our products and services in various countries;
- additional potentially relevant third-party patent rights;
- complexities and difficulties in obtaining intellectual property protection and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations;
- complexities associated with managing multiple payor reimbursement regimes, government payors or patient self-pay systems;
- difficulties in negotiating favorable reimbursement negotiations with governmental authorities;
- logistics and regulations associated with shipping samples, including infrastructure conditions and transportation delays;
- limits in our ability to penetrate international markets if we are not able to conduct our immunosequencing or clinical diagnostic services locally;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial crises on demand and payment for our products and services and exposure to foreign currency exchange rate fluctuations;
- natural disasters, political and economic instability, including wars, terrorism and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions;

- regulatory and compliance risks that relate to maintaining accurate information and control over sales and distributors' activities that may fall within the purview of the FCPA, its books and records provisions, or its anti-bribery provisions, or laws similar to the FCPA in other jurisdictions in which we may now or in the future operate, such as the United Kingdom's Bribery Act of 2010; and
- anti-bribery requirements of several member states in the European Union ("EU") and other countries, such as the United Kingdom's Bribery Act of 2010, that are constantly changing and require disclosure of information to which U.S. legal privilege may not extend.

Any of these factors could significantly harm our future international expansion and operations and, consequently, our revenue and results of operations.

***We may never obtain approval in the EU or in any other foreign country for any of our products or services and, even if we do, we or our collaborators may never be able to commercialize them in any other jurisdiction, which would limit our ability to realize their full market potential.***

In order to eventually market any of our current or future products and services in any particular foreign jurisdiction, we must establish and comply with numerous and varying regulatory requirements on a jurisdiction-by-jurisdiction basis regarding quality, safety, performance and efficacy. In addition, clinical trials or clinical investigations conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory clearance, authorization or approval in one country does not guarantee regulatory clearance, authorization or approval in any other country. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods.

Seeking foreign regulatory clearance, authorization or approval could result in difficulties and costs for us and our collaborators and require additional preclinical studies, clinical trials or clinical investigations which could be costly and time-consuming. Regulatory requirements and ethical approval obligations can vary widely from country to country and could delay or prevent the introduction of our products and services in those countries. The foreign regulatory clearance, authorization or approval process involves all of the risks and uncertainties associated with FDA clearance, authorization or approval. We currently sell our RUO kits outside of the United States and have completed a technology transfer process for research use to sites in France, Germany, Italy, the United Kingdom, Spain, and Australia, but have no experience in obtaining regulatory clearance, authorization or approval in international markets. If we or our collaborators fail to comply with regulatory requirements in international markets or to obtain and maintain required regulatory clearances, authorizations or approvals in international markets, or if those approvals are delayed, our target market will be reduced and our ability to realize the full market potential of our products and services will be unrealized.

***If our laboratory facilities become damaged or inoperable or we are required to vacate our existing facilities, our ability to conduct our laboratory processes and analysis and pursue our research and development efforts may be jeopardized.***

We operate laboratory facilities located in Seattle, Washington and South San Francisco, California, and are currently expanding our corporate headquarters in Seattle, Washington to enable us to expand our laboratory capacity and research and development footprint. Our facilities and equipment could be harmed or rendered inoperable by natural or man-made disasters, including war, fire, earthquake, power loss, communications failure or terrorism, which may render it difficult or impossible for us to operate our immune medicine platform for some period of time. The inability to perform our laboratory processes or to reduce the backlog of sequences that could develop if our facilities are inoperable, for even a short period of time, or to replace or repair inventory such as reagents or customer samples may result in the loss of customers or harm to our reputation, and we may be unable to regain those customers or repair our reputation in the future.

Furthermore, our facilities and the equipment we use to perform our research and development work could be unavailable or costly and time-consuming to repair or replace, and we may not be able to execute on our anticipated expansion, which may increase the backlog of sequences if our laboratory space is not expanded to meet our expected increased throughput. It would be difficult, time-consuming and expensive to rebuild our facilities, to locate and qualify new facilities or license or transfer our proprietary technologies to a third party, particularly in light of licensure and accreditation requirements. Even in the unlikely event we are able to find a third party with such qualifications to enable us to conduct our laboratory processes, we may be unable to negotiate commercially reasonable terms.

We carry insurance for damage to our property and the disruption of our business, but this insurance may not cover all of the risks associated with damage or disruption to our business, may not provide coverage in amounts sufficient to cover our potential losses and may not continue to be available to us on acceptable terms, if at all.

***We may need to raise additional capital to fund our existing operations, develop additional products and services, commercialize new products and services or expand our operations.***

Based on our current business plan, we believe our current cash, cash equivalents and marketable securities and anticipated cash flow from operations, will be sufficient to meet our anticipated cash requirements over at least the next 12 months. If our available cash and investment balances and anticipated cash flow from operations are insufficient to satisfy our liquidity requirements, including because of lower demand for our products and services as a result of risks described herein, we may seek to sell common or preferred equity or convertible debt securities, enter into a credit facility or another form of third-party funding or seek other debt financing.

We may consider raising additional capital in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities or for other reasons, including to:

- increase our sales and marketing efforts to drive market adoption of our life sciences research, clinical diagnostics and therapeutics;
- fund development efforts for our current and future products and services;
- expand our products and services into other disease indications and clinical applications;
- acquire, license or invest in technologies;
- acquire or invest in complementary businesses or assets; and
- finance capital expenditures, such as our corporate headquarters expansion, and general and administrative expenses.

Our present and future funding requirements will depend on many factors, including:

- our ability to achieve revenue growth;
- our rate of progress in establishing payor coverage and reimbursement arrangements with domestic and international commercial third-party payors and government payors;
- the cost of expanding our laboratory operations and offerings, including our sales and marketing efforts;
- our rate of progress in, and cost of the sales and marketing activities associated with, establishing adoption of our immunoSEQ research services and kits, and reimbursement for our clonoSEQ diagnostic test, our T-Detect early detection test and cellular therapies developed under the Genentech Agreement;
- our rate of progress in, and cost of research and development activities associated with, products and services in research and early development;
- the effect of competing technological, product and market developments;
- costs related to international expansion; and
- the potential cost of and delays in product development as a result of any regulatory oversight applicable to our products and services.

The various ways we could raise additional capital carry potential risks. If we raise funds by issuing equity securities, dilution to our shareholders could result. Any preferred equity securities issued also could provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by issuing debt securities, those debt securities would have rights, preferences and privileges senior to those of holders of our common stock. The terms of debt securities issued or borrowings pursuant to a credit agreement could impose significant restrictions on our operations. If we raise funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our platform technologies or products and services or grant licenses on terms that are not favorable to us.

***Our ability to use our NOL carryforwards and certain other tax attributes may be limited.***

We have incurred net losses since our inception and we may never achieve or sustain profitability. Generally, losses incurred will carry forward until such losses expire (for losses generated prior to January 1, 2018) or are used to offset future taxable income, if any. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (“Code”), if a corporation undergoes an “ownership change,” generally defined as a greater than 50 percentage point change in its equity ownership by certain shareholders over a three-year period, the corporation’s ability to use its pre-ownership change NOL carryforwards and other pre-ownership change tax attributes, such as research tax credits, to offset its post-ownership change income or taxes may be limited. Under the TCJA, which significantly reformed U.S. tax law, federal NOLs incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal NOLs is limited to 80% of annual taxable income. It is uncertain if and to what extent various states will conform to the TCJA. If there should be an ownership change, our ability to utilize our NOL carryforwards and credits could be limited. We have completed a Section 382 analysis for changes in ownership through December 31, 2018 and an analysis is ongoing for ownership changes through December 31, 2020. Based on these analyses, we do not expect to have any permanent limitations on the utilization of our federal NOLs. We may experience ownership changes in the future as a result of shifts in our stock ownership, which may be outside of our control. As a result, if we earn net taxable income, our ability to use our pre-ownership change NOL carryforwards to offset such taxable income will be subject to limitations. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. As a result, even if we attain profitability, we may be unable to use a material portion of our NOL carryforwards and other tax attributes, which could adversely affect our future cash flows.

In addition, the TCJA reduced the corporate tax rate from a top marginal tax rate of 35% to a flat rate of 21%, limited the tax deduction for net business interest expense to 30% of adjusted taxable income, eliminated NOL carrybacks and modified or repealed many business deductions and credits, including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions generally referred to as “orphan drugs.” The U.S. Department of the Treasury and the U.S. Internal Revenue Service (“IRS”) have already issued and are expected to continue to provide guidance on the implementation of the TCJA. We continue to examine the impact this tax reform legislation may have on our business and the operations of our collaborators. However, the effect of the TCJA on our business and the operations of our collaborators, whether adverse or favorable, is uncertain and may not become evident for some period of time. We urge investors to consult with their legal and tax advisors regarding the implications of the TCJA on an investment in our Company.

***We could be adversely affected by violations of the FCPA and other worldwide anti-bribery laws.***

As we expand geographically, commercialize our products and services, and attempt to obtain required clearances, authorizations or approvals required to offer products and services for sale, we or our collaborators may be deemed to do business outside the United States, including because international customers may be able to order our products and services. As a result, we or our collaborators would be subject to the FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. In addition, our collaborators or any third-party distributors could be deemed to be our agents and we could be held responsible for their actions, including violations of the FCPA. Other U.S. companies in the life sciences industry have faced criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with non-U.S. government officials. We may also become subject to similar anti-bribery laws in the jurisdictions in which we may operate, including the United Kingdom’s Bribery Act of 2010, which also prohibits commercial bribery and makes it a crime for companies to fail to prevent bribery. These laws are complex and far-reaching in nature, and we may be required in the future to alter one or more of our practices to be in compliance with these laws. Accordingly, our expansion internationally will demand a high degree of vigilance, and any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition or results of operations. We could also suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures.

***We may acquire other businesses or form joint ventures or make investments in other companies or technologies that could negatively affect our operating results, dilute our shareholders' ownership, increase our debt or cause us to incur significant expense.***

We may pursue acquisitions of businesses and assets. We also may pursue joint ventures or investments that leverage our immune medicine platform and industry experience to expand our offerings or distribution. We have no experience forming joint ventures and limited experience investing in or acquiring other companies. We may not be able to find suitable joint ventures, investment or acquisition candidates, and we may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate the acquired company successfully into our existing business, and we could assume unknown or contingent liabilities, including regulatory violations such as the FCPA or similar laws. Any future acquisitions also could result in the incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a material adverse effect on our financial condition, results of operations and cash flows. Integration of an acquired company also may disrupt ongoing operations and require management resources that we would otherwise focus on developing our existing business. We may experience losses related to investments in other companies, which could have a material negative effect on our results of operations and financial condition. We may not realize the anticipated benefits of any acquisition, technology license, collaboration or joint venture.

To finance any acquisitions or joint ventures, we may choose to issue shares of our common stock as consideration, which would dilute the ownership of our shareholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common stock is low or volatile, we may not be able to acquire other companies or fund a joint venture project using our stock as consideration.

***Unfavorable U.S. or global economic conditions could adversely affect our business, financial condition or results of operations.***

Our results of operations could be adversely affected by general conditions in the global economy and financial markets. A severe or prolonged economic downturn, as result of a global pandemic or otherwise, could result in a variety of risks to our business, including weakened demand for our products and services and our ability to raise additional capital when needed on favorable terms, if at all. A weak or declining economy could strain our collaborators, possibly resulting in supply disruption, or cause delays in their payments to us. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

***We use biological and hazardous materials that require considerable expertise and expense for handling, storage and disposal and may result in claims against us.***

We work with materials, including chemicals, biological agents and compounds and samples that could be hazardous to human health and safety or the environment. Our operations also produce hazardous and biological waste products. Federal, state and local laws and regulations govern the use, generation, manufacture, storage, handling and disposal of these materials and wastes. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental laws and regulations may restrict our operations. If we do not comply with applicable regulations, we may be subject to fines and penalties.

In addition, we cannot eliminate the risk of accidental injury or contamination from these materials or wastes, which could cause an interruption of our commercialization efforts, research and development programs, and business operations, as well as environmental damage resulting in costly cleanup and liabilities under applicable laws and regulations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. While our property insurance policy provides limited coverage in the event of contamination from hazardous and biological products and the resulting cleanup costs, we do not currently have any additional insurance coverage for legal liability for claims arising from the handling, storage or disposal of hazardous materials. Accordingly, in the event of contamination or injury, we could be liable for damages or penalized with fines in an amount exceeding our resources and our operations could be suspended or otherwise adversely affected.

***If we were to be sued for product liability or professional liability, we could face substantial liabilities that exceed our resources.***

The marketing, sale and use of our products and services could lead to the filing of product or professional liability claims were someone to allege that our products or services identified inaccurate, incomplete or untimely information regarding the sequence or antigen specificities of TCRs, BCRs or antigens analyzed or the clonality characterized, or MRD or malignancy detected, or that our products or services otherwise failed to perform as designed or intended. We could also be potentially exposed to claims relating to therapeutic failures of products commercialized under our collaborations, such as a cellular therapy marketed by Genentech that is manufactured based on TCR-related sequences and data we provide. We may also be subject to liability for errors in, a misunderstanding of or inappropriate reliance upon, the information we provide in the ordinary course of our business activities. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for us to defend. Regardless of merit or eventual outcome, product liability and professional liability claims may result in:

- decreased demand for any products, services or clinical solutions that we have developed or may develop;
- loss of revenue;
- substantial monetary awards to patients or their families;
- significant time and costs to defend related litigation;
- withdrawal of clinical trial participants;
- the inability to commercialize any products, services or clinical solutions that we have developed or may develop; and
- injury to our reputation and significant negative media attention.

We maintain product and professional liability insurance, but this insurance may not fully protect us from the financial impact of defending against product liability or professional liability claims. Any product liability or professional liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any product liability lawsuit could cause current collaborators to terminate existing agreements or potential collaborators to seek other companies, any of which could impact our results of operations.

***We or our collaborators may be adversely affected by natural or man-made disasters or other business interruptions, such as cybersecurity attacks, and our business continuity and disaster recovery plans, or those of our collaborators, may not adequately protect us from the effects of a serious disaster.***

Natural and man-made disasters and other events beyond our control could severely disrupt our operations, or those of our collaborators, and have a material adverse impact on our business, results of operations, financial condition and prospects. If a natural disaster, power outage, cybersecurity attack or other event occurred that prevented us from using all or a significant portion of our headquarters, damaged critical infrastructure, such as our laboratory facilities or those of our collaborators, limited our or our collaborators' ability to access or use our respective digital information systems or that otherwise disrupted our respective operations, it may be difficult or, in certain cases, impossible for us or our collaborators to continue our respective businesses for a substantial period of time. The disaster recovery and business continuity plans we and our collaborators currently have in place are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. Our cybersecurity liability insurance may not cover any or all damages, depending on the severity and extent, we or our collaborators could sustain based on any breach of our respective computer security protocols or other cybersecurity attack. We may incur substantial expenses as a result of the limited nature of our respective disaster recovery and business continuity plans, which could have a material adverse impact on our business.

### **Risks Relating to Government Regulation**

***We conduct our business in a heavily regulated industry, and changes in regulations or violations of regulations may, directly or indirectly, reduce our revenue, adversely affect our results of operations and financial condition and harm our business.***

The life sciences industry is highly regulated, and the regulatory environment in which we and our collaborators operate may change significantly and adversely to us in the future. Areas of the regulatory environment that may affect our ability to conduct business include, without limitation, federal and state laws relating to:

- laboratory testing, including CLIA and state laboratory licensing laws;
- the development, testing, use, distribution, promotion and advertising of research services, kits, clinical diagnostics and cellular therapies, including certain LDTs, which are regulated by the FDA under the FDCA and the FTC;
- test ordering, documentation of tests ordered, billing practices and claims payment under CMS and the HHS OIG enforcing those laws and regulations;
- cellular therapies, medical device and *in vitro* diagnostic clearance, marketing authorization or approval;



- laboratory anti-mark-up laws;
- the handling and disposal of medical and hazardous waste;
- fraud and abuse laws such as the False Claims Act, the AKS, EKRA, and the Stark Law;
- Occupational Safety and Health Administration rules and regulations;
- HIPAA and other federal and state medical data privacy and security laws;
- the Genetic Information Nondiscrimination Act (“GINA”) and similar state laws; and
- coverage and restrictions on coverage and reimbursement for research services, kits, clinical diagnostics and cellular therapies and Medicare, Medicaid, other governmental payors and private insurers reimbursement levels.

In particular, the laws, regulations and policies governing the marketing of RUO products, LDTs and clinical diagnostic tests and services are extremely complex and are subject to interpretation by the courts and governmental agencies. Our failure to comply could lead to civil or criminal penalties, exclusion from participation in state and federal health care programs, or prohibitions or restrictions on our laboratories’ ability to provide or receive payment for our services. We believe that we are in material compliance with all statutory and regulatory requirements, but there is a risk that one or more government agencies could take a contrary position, or that a private party could file suit under the qui tam provisions of the federal False Claims Act or a similar state law. Such occurrences, regardless of their outcome, could damage our reputation and adversely affect important business relationships with third parties, including managed care organizations, and other private third-party payors.

***The insurance coverage and reimbursement status of newly approved products and services, in a new category of diagnostics and therapeutics, is uncertain. Failure to obtain or maintain adequate coverage and reimbursement for current or future products and services could limit our ability, and that of our collaborators, to fully commercialize our products and services and decrease our ability to generate revenue.***

The availability and extent of reimbursement by governmental and private payors is essential for most patients to be able to afford the clinical diagnostic tests and cellular therapeutics that we and our collaborators currently or plan to develop and sell. In addition, because our clinical diagnostics and therapeutic products and services represent new approaches to the research, diagnosis, detection and treatment of diseases, we cannot accurately estimate how our products and services, and those jointly created with our collaborators, would be priced, whether reimbursement could be obtained or any potential revenue generated. Sales of our products and services will depend substantially, both domestically and internationally, on the extent to which the costs of our products and services are paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize some of our products or services. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment in any of our products or services. If we adopt a self-pay strategy with respect to any products or services, we may experience similar difficulties in the establishment or maintenance of sufficiently high pricing. Changes in the reimbursement landscape may occur, which are outside of our control, and may impact the commercial viability of our products and services.

There is significant uncertainty related to the insurance coverage and reimbursement of newly cleared, authorized or approved products and services. In the United States, many significant decisions about reimbursement for new diagnostics and medicines are typically made by CMS, an agency within the HHS. CMS decides whether and to what extent a new diagnostic or medicine will be covered and reimbursed under Medicare. Private payors tend to follow CMS to a substantial degree. It is difficult to predict what CMS will decide with respect to reimbursement for novel products and services such as ours. Additionally, reimbursement agencies in Europe may be more conservative than CMS. For example, a number of cancer drugs have been approved for reimbursement in the United States and have not been approved for reimbursement, or have been approved under restricted conditions, in certain European countries.

Outside the United States, the reimbursement process and timelines vary significantly. Certain countries, including a number of member states of the EU, set prices and make reimbursement decisions for diagnostics and pharmaceutical products, or medicinal products, as they are commonly referred to in the EU, with limited participation from the marketing authorization or Conformité Européenne (“CE”) mark holders, or may take decisions that are unfavorable to the authorization or CE mark holder where they have participated in the process. We cannot be sure that such prices and reimbursement decisions will be acceptable to us or our collaborators. If the regulatory authorities in these foreign jurisdictions set prices or make reimbursement criteria that are not commercially attractive for us or our collaborators, our revenues and the potential profitability of our products and services in those countries would be negatively affected. An increasing number of countries are taking initiatives to attempt to control the healthcare budget by focusing cost-cutting efforts on medicinal products, and to a lesser extent, medical devices, provided under their state-run healthcare systems. These international price control efforts have impacted all regions of the world, but have been most prominent in the EU. Additionally, some countries require approval of the sale price of a product before it can be marketed or mandatory discounts or profit caps may be applied. Further, after the sale price is approved, it remains subject to review during the product lifecycle. In many countries, the pricing review period begins after marketing or product licensing approval is granted or the CE mark is obtained. As a result, we or our collaborators might obtain marketing approval for a product or service in a particular country, but then may experience delays in the reimbursement approval or be subject to price regulations that would delay the commercial launch of our product or service, possibly for lengthy time periods, which could negatively impact the revenues we are able to generate from the sale of that product or service in that particular country.

Moreover, increasing efforts by governmental and third-party payors, in the United States and abroad, to cap or reduce healthcare costs may cause such organizations to limit both coverage and level of reimbursement for newly cleared, authorized or approved devices and medicines and, as a result, they may not cover or provide adequate payment for our clinical diagnostics or the cellular therapies to be sold by us or our collaborators. For example, the U.S. government recently introduced the Lower Drug Costs Now Act of 2019 to reduce the cost of drugs. This blueprint contains certain measures that HHS is already working to implement. At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological program pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, which are, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect to experience pricing pressures on our clinical diagnostics and cellular therapies sold by us and our collaborators due to the trend toward value-based pricing and coverage, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products.

***Our business could be harmed by the loss, suspension or other restriction on a license, certification or accreditation, or by the imposition of a fine or penalties, under CLIA, its implementing regulations or other state, federal and foreign laws and regulations affecting licensure or certification, or by future changes in these laws or regulations.***

Federal law requires virtually all clinical laboratories to comply with CLIA, which generally involves becoming certified by the federal and state government for the testing that will be performed and complying with various operational, personnel, facilities administration, quality and proficiency testing requirements intended to ensure that testing services are accurate and reliable. CLIA certification is also a prerequisite to be eligible to bill state and federal healthcare programs, as well as many private third-party payors, for laboratory research and clinical diagnostic testing services. As a condition of our CLIA certification, our Seattle, Washington laboratory is subject to survey and inspection every other year, additional random inspections and surprise inspections based on complaints received by state or federal regulators. The biennial survey and inspection is conducted by CMS, a CMS agent or, if the laboratory holds a CLIA certificate of accreditation, a CMS-approved accreditation organization, such as CAP. Sanctions for failure to comply with CLIA requirements, including proficiency testing violations, may include suspension, revocation or limitation of a laboratory’s CLIA certificate, which is necessary to conduct business, as well as the imposition of significant civil, administrative or criminal sanctions against the lab, its owners and other individuals. In addition, we are subject to regulation under certain state laws and regulations governing laboratory licensure. Some states, including Washington, have enacted laboratory licensure and compliance laws that are more stringent than CLIA. Changes in state licensure laws that affect our ability to offer and provide research and diagnostic products and services across state or foreign country lines could materially and adversely affect our business. In addition, state and foreign requirements for laboratory certification may be costly or difficult to meet and could affect our ability to receive specimens from certain states or foreign countries.

Any sanction imposed under CLIA, its implementing regulations or state or foreign laws or regulations governing licensure, or our failure to renew a CLIA certificate, a state or foreign license or accreditation, could have a material adverse effect on our business.

***Changes in law relating to health insurance coverage and payment may adversely affect our business.***

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the ACA was passed, which substantially changes the way healthcare is financed by both governmental and private insurers, and significantly impacts the U.S. clinical diagnostic and biopharmaceutical industries. The ACA, among other things, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program, extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs and medical devices, including laboratory kits, and promoted a new Medicare Part D coverage gap discount program.

Some of the provisions of the ACA have been subject to judicial and Congressional challenges. It is also unclear how regulatory provisions and sub-regulatory guidance, both of which fluctuate continually, may affect interpretation and implementation of the ACA and its practical effects on our business. In addition, changes in the number of patients that can look to third-party payment to help afford our products and services may affect the demand for these products and services.

We cannot predict what healthcare reform initiatives may be adopted in the future. Further federal, state and foreign legislative and regulatory developments are likely, and we expect ongoing initiatives to increase downward pressure on drug and device pricing. Such reforms could have an adverse effect on anticipated revenues from our products and services, including those that we jointly develop with our collaborators, and may affect our overall financial condition and ability to develop or obtain regulatory clearance, authorization or approval for our products and services.

***Inadequate funding for the FDA and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.***

The ability of the FDA to review and clear, authorize or approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel, and statutory, regulatory and policy changes. In addition, government funding of agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs and devices to be reviewed and cleared, authorized or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

***We must maintain compliance with FDA requirements for our products and services and failure to maintain compliance with FDA requirements may prevent or delay the marketing of our products and services.***

Even after we have obtained marketing authorization, as we have for clonoSEQ, we must comply with the scope of that clearance, authorization or approval. Failure to comply with those limitations or the additional, extensive and ongoing post-marketing obligations imposed by the FDA or other regulatory requirements of other regulatory agencies could result in unanticipated compliance expenditures, a range of administrative enforcement actions, injunctions and criminal prosecution. FDA post-market obligations include, among other things, compliance with the FDA QSR, establishing registration and device listings, labeling requirements, reporting of certain adverse events and malfunctions, and reporting of certain recalls. In addition, circumstances may arise that cause us to recall equipment used in connection with our products and services. Such recalls could have an adverse effect on our ability to provide those products and services, which in turn would adversely affect our financial condition. Our collaborators will also be required to maintain FDA clearance, authorization or approval for the products and services that we jointly develop. Any failure by us or our collaborators to maintain such clearance, authorization or approval could impair or cause a delay in our ability to profit from these collaborations.

***Products and services offered RUO may be subject to regulatory scrutiny.***

Certain of our products are currently labeled and sold for RUO and not for the diagnosis or treatment of disease. Because such products are not intended for diagnostic use, and the products do not include clinical or diagnostic claims or provide directions for use as diagnostic products, they are not subject to the same level of regulation by the FDA as medical devices. In particular, while the FDA regulations require that RUO products be appropriately labeled, “For Research Use Only,” the regulations do not subject such products to the FDA’s pre- and post-market controls for medical devices. Pursuant to FDA guidance on RUO products, a company may not make clinical or diagnostic claims about an RUO product or provide clinical directions or clinical support services to customers of RUO products. A product labeled RUO but deemed by the FDA to be intended for clinical diagnostic use may be viewed by the FDA as adulterated and misbranded under the FDCA and subject to FDA enforcement action. The FDA considers the totality of the circumstances surrounding distribution and use of a product labeled as RUO, including how the product is marketed and to whom, when determining its intended use. If the FDA were to disagree with our RUO classification or modify its approach to regulating products labeled for RUO, we could experience reduced revenue or increased compliance and other costs, which could adversely affect our business, prospects, results of operations and financial condition. In the event that the FDA requires marketing authorization of our RUO products in the future, the FDA may not ultimately grant any clearance, authorization or approval requested by us in a timely manner, or at all.

***Future changes in FDA enforcement discretion for LDTs could subject our operations to much more significant regulatory requirements.***

In addition to offering the cleared version of clonoSEQ as a test for MRD in certain blood cancers, we also currently offer an LDT version of this test. Further, we offer our T-Detect COVID test as an LDT. The FDA has a policy of enforcement discretion with respect to LDTs whereby the FDA does not actively enforce its medical device regulatory requirements for such tests. However, in October 2014, the FDA issued two draft guidance documents stating that the FDA intended to modify its policy of enforcement discretion with respect to LDTs in a risk-based manner consistent with the existing classification of medical devices. Although the FDA halted finalization of the guidance in November 2016 to allow for further public discussion on an appropriate oversight approach to LDTs and to give Congressional authorizing committees the opportunity to develop a legislative solution, it is unclear if Congress or the FDA will modify the current approach to the regulation of LDTs in a way that would subject our current or future services marketed as LDTs to the enforcement of FDA regulatory requirements. The FDA Commissioner and the Director of the Center for Devices and Radiological Health (“CDRH”) have expressed significant concerns regarding disparities between some LDTs and *in vitro* diagnostics that have been reviewed, cleared, authorized or approved by the FDA. If the FDA were to determine that T-Detect COVID and NGS MRD tests offered as LDTs are not within the policy for LDTs for any reason, including new rules, policies or guidance, or due to changes in statute, our tests may become subject to extensive FDA requirements or our business may otherwise be adversely affected. If the FDA were to disagree with our LDT status or modify its approach to regulating LDTs, we could experience reduced revenue or increased costs, which could adversely affect our business, prospects, results of operations and financial condition. If required, the regulatory marketing authorization process required to bring our current or future LDTs into compliance may involve, among other things, successfully completing additional clinical validations and submitting to and obtaining clearance from the FDA for a premarket clearance (510(k)) submission or authorization for a *de novo* or approval of a PMA. Furthermore, recently introduced legislation, if passed, such as the VALID Act, could create new or different regulatory and compliance burdens on us and could have a negative effect on our ability to develop new products, which could have a material effect on our business. In the event that the FDA requires marketing authorization of our LDTs in the future, the FDA may not ultimately grant any clearance, authorization or approval requested by us in a timely manner, or at all. In addition, if the FDA inspects our laboratory in relation to the marketing of our FDA-cleared clonoSEQ test, any enforcement action the FDA takes might not be limited to the FDA-cleared clonoSEQ test and could encompass our LDT testing service.

***For each product and service we are developing that requires FDA premarket review, the FDA may not grant clearance, authorization or premarket approval and failure to obtain necessary approvals for our future products and services would adversely affect our ability to grow our business.***

Before we begin to manufacture, label and market additional clinical diagnostic products for commercial diagnostic use in the United States, we may be required to obtain either clearance, marketing authorization or approval from the FDA, unless an exemption applies or the FDA exercises its enforcement discretion and refrains from enforcing its requirements. For example, the FDA currently has a policy of refraining from enforcing its medical device requirements with respect to LDTs, which the FDA considers to be a type of *in vitro* diagnostic test that is designed, manufactured and used within a single properly licensed laboratory.

The process of obtaining PMA is much more rigorous, costly, lengthy and uncertain than the 510(k) clearance process. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. Conversely, in the 510(k) clearance process, the FDA must determine that a proposed device is “substantially equivalent” to a legally marketed “predicate” device in order for the product to be cleared for marketing. To be “substantially equivalent,” the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics or if it has different technological characteristics as the predicate device, the proposed device must be as safe and effective as, and not raise different questions of safety or effectiveness than, the predicate device. Clinical data is sometimes required to support substantial equivalence. For lower-risk devices that would otherwise automatically be placed into Class III, which require a PMA because no predicate device is available and the devices do not fall within an existing 510(k)-exempt classification, an applicant may submit a *de novo* request to down classify the device into Class II or Class I, which would not require a PMA. In the *de novo* process, the FDA must determine that general and special controls are sufficient to provide reasonable assurance of the safety and effectiveness of a device, which is low to moderate risk and has no predicate. In other words, the applicant must justify the “down-classification” to Class I or II for a new product type that would otherwise automatically be placed into Class III, but is lower risk. Clinical data may be required. For laboratory tests for which FDA clearance, authorization or approval is required, the FDA may also require data to support analytical and clinical validity.

The 510(k), *de novo* and PMA processes can be expensive and lengthy and require the payment of significant fees, unless an exemption applies. The FDA’s 510(k) clearance pathway usually takes from three to nine months from submission, but it can take longer for a novel type of product. The FDA’s *de novo* classification pathway usually takes from six to 12 months, but for many applicants can take up to 18 months or more.

The process of obtaining a PMA generally takes from one to three years, or even longer, from the time the PMA is submitted to the FDA until an approval is obtained. Any delay or failure to obtain necessary regulatory clearances, authorizations or approvals would have a material adverse effect on our business, financial condition and prospects.

The FDA can delay, limit or deny clearance, authorization or approval of a device for many reasons, including:

- the inability to demonstrate to the satisfaction of the FDA that the products are safe or effective for their intended uses;
- the disagreement of the FDA with the design, conduct or implementation of the clinical trials or the analysis or interpretation of data from preclinical studies, analytical studies or clinical trials;
- serious and unexpected adverse device effects experienced by participants in clinical trials;
- the data from preclinical studies, analytical studies and clinical trials may be insufficient to support clearance, authorization or approval, where required;
- the inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- an advisory committee, if convened by the FDA, may recommend against approval of a PMA or other application or may recommend that the FDA require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions, or even if an advisory committee makes a favorable recommendation, the FDA may still not approve the product;
- the FDA may identify deficiencies in our marketing application;
- the FDA may identify deficiencies in our or our collaborators’ manufacturing processes, facilities or analytical methods;
- the potential for policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering clinical data or regulatory filings insufficient for clearance, authorization or approval; and
- the FDA or foreign regulatory authorities may audit clinical trial data and conclude that the data is not sufficiently reliable to support a PMA.

There are numerous FDA personnel assigned to review different aspects of marketing submissions, which can present uncertainties based on their ability to exercise judgment and discretion during the review process. During the course of review, the FDA may request or require additional data and information, and the development and provision of these data and information may be time-consuming and expensive. The process of obtaining regulatory clearances, authorizations or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances, authorizations or approvals on a timely basis, or at all for our products in development. If we are unable to obtain clearance, authorization or approval for any products for which we plan to seek clearance, authorization or approval, our business may be harmed.

***Modifications to our products with FDA clearance may require new FDA clearances, authorizations or approvals, or may require us to cease marketing or recall the modified clinical diagnostic products or future clinical products until clearances are obtained.***

Any modification to a 510(k)-cleared device that significantly affects its safety or effectiveness, or that constitutes a major change in its intended use, could require a new 510(k) clearance, a new *de novo* authorization or approval of a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances, authorizations or approvals are necessary.

For any product approved pursuant to a PMA, we would be required to seek supplemental approval for many types of modifications to the approved product. The FDA requires manufacturers in the first instance to determine whether a PMA supplement or other regulatory filing is needed or whether the change may be reported via the PMA Annual Report, but may disagree with a company's assessment.

If the FDA disagrees with our determination, which it may not review until we submit an annual report or the FDA conducts an inspection or other inquiry, and requires us to seek new clearances, authorizations or approvals for modifications to our previously cleared, authorized or approved clinical diagnostic products for which we have concluded new clearances, authorizations or approvals are unnecessary, we may be required to cease marketing or distribution of these clinical diagnostic products or to recall the modified products until we obtain clearance, authorization or approval. We may also be subject to enforcement action, including, among other things, significant regulatory fines or penalties.

***Our employees, principal investigators, consultants and collaborators may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.***

We are exposed to the risk of fraud or other misconduct by our employees, consultants and those of our collaborators. Misconduct by these parties could include intentional failures to comply with the regulations of the FDA and non-U.S. regulators, comply with healthcare fraud and abuse laws and regulations in the United States and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent improper marketing, fraud, misconduct, kickbacks, bribery, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information obtained in the course of clinical studies, which could result in regulatory sanctions and cause serious harm to our reputation. We currently have a code of conduct applicable to all of our employees, but it is not always possible to identify and deter employee misconduct. In addition, our code of conduct and the other precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such investigations or actions are instituted against us and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant fines or other sanctions, which could have a significant impact on our business. We currently have a compliance program in accordance with the elements of an effective program outlined by the OIG, which could help mitigate damages, but cannot prevent all misconduct. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, suffer adverse publicity and reputational harm, and have the attention of management diverted in defending ourselves against any of these claims or investigations.

***If third-party payors, including private payors and government healthcare programs, do not provide coverage of, or adequate reimbursement for, our clinical diagnostic products, our commercial success will be negatively affected.***

Our revenue depends in part on achieving broad coverage and reimbursement for our diagnostic tests from payors, including both private and government payors. Certain large private payors have issued policies that decline to cover testing methods that they regard as experimental or investigational. Other payors may issue similar non-coverage policies. If payors do not provide coverage of, or do not provide adequate reimbursement for, a substantial portion of the price of our diagnostic tests, we may need to seek payment from the patient where this is not precluded by law or contract, which may adversely affect demand for our tests. Coverage determinations by a payor may depend on a number of factors, including, but not limited to, a payor's determination that a certain diagnostic test is appropriate, medically necessary or cost-effective. If we are unable to provide payors with sufficient evidence of the clinical utility and validity of our diagnostic tests, they may not provide coverage, or may provide limited coverage, which will adversely affect our revenues and our ability to succeed. To the extent that more competitors enter our markets, the availability of coverage and the reimbursement rate for our tests and new diagnostic products may decrease as we encounter pricing pressure from our competitors.

Each payor makes its own decision regarding coverage of our tests and the applicable payment rates, and payors may not provide adequate coverage or reimbursement for our current or future products. Although we may contract with certain payors, working with payors through contract or otherwise to assure reimbursement is time-consuming and costly and outcomes are uncertain. In addition, the determinations by a payor whether to cover our clinical diagnostic product and the amount it will reimburse for them are often made on an indication-by-indication basis. In cases where there is no coverage policy or we do not have a contracted rate for reimbursement as a participating provider, the patient is typically responsible for a greater share of the cost of the test, which may result in further delay of our revenue, increase our collection costs or decrease the likelihood of collection. Through our Adaptive Assist patient support program, we provide clonoSEQ diagnostic tests for reduced rates or without charge to eligible low-income patients that may result in payors requiring us to provide evidence of eligibility of such patients to pay reduced out-of-pocket amounts.

Our claims for reimbursement from payors may be denied upon submission, and we may need to take additional steps to receive payment, such as appealing the denials. Such appeals and other processes are time-consuming, expensive and may not result in payment. Payors may perform audits of historically paid claims and attempt to recoup funds years after the funds were initially distributed if the payors believe the funds were paid in error or determine that our clonoSEQ diagnostic tests or other clinical diagnostic products were medically unnecessary. In addition, similar to federal payors, state and federal laws permit commercial payors to seek civil and criminal penalties against a manufacturer if they feel they have been defrauded. If a payor audits our claims and issues a negative audit finding, and we are not able to overturn the audit findings through appeal, the recoupment may result in a material adverse effect on our revenue. Additionally, in some cases commercial payors for whom we are not a participating provider may elect at any time to review claims previously paid and determine the amount they paid was too much. In these situations, the payor will typically notify us of their decision and then offset whatever amount they determine they overpaid against amounts they owe us on current claims. We do not have a mechanism to dispute these retroactive adjustments and we cannot predict when, or how often, a payor might engage in these reviews.

### ***Future Medicare payment rates are uncertain.***

In January 2020, CMS revised the National Coverage Determination (“NCD”) for molecular diagnostic laboratory testing services utilizing a NGS methodology, which includes our clinical diagnostic products, for Medicare beneficiaries with advanced cancer. CMS revised the NCD to extend specific coverage for germline (inherited) testing. CMS stated that it is continuing to make other technical, clarifying and conforming changes in the NCD manual and they are also clarifying the existing policy related to diagnostic tests for Somatic (Acquired) Cancer. If CMS were to make material revisions to policy, this could potentially impact the scope of clonoSEQ coverage.

Under Medicare Part B, payment for most diagnostic laboratory tests is made under the Clinical Laboratory Fee Schedule (“CLFS”), which assigns payment amounts to tests based on billing codes. Under the Protecting Access to Medicare Act of 2014 (“PAMA”), certain laboratories that receive the majority of their Medicare revenue from payments made under the CLFS or Medicare’s Physician Fee Schedule are required to report to CMS every three years, or annually for “advanced diagnostic laboratory tests,” commercial payor payment rates and volumes for tests they perform and that are assigned specific billing codes. PAMA has special provisions relating to “advanced diagnostic laboratory tests,” as defined by the statute, and these provisions affect the rate-setting at the time of launch and the periodicity of rate reporting and revision. Laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. If, in the future, clonoSEQ or any of our tests are assigned a specific code we would be required to report commercial payor payment data on those tests. Payments for tests billed under miscellaneous codes are determined by the MACs, which also have discretion to change those payment rates.

CMS uses the data reported by laboratories to calculate a payment rate for each CLFS test, other than those coded with miscellaneous codes and certain others, based on the volume-weighted median of the private payor rates. These rates apply for three years, except that payment rates for advanced diagnostic laboratory tests apply for one year. If we offer tests with specific codes, this apparatus would apply. Under these circumstances, Medicare’s payment rates would be determined by the rates we and other laboratories, if any, with tests that share the specific codes we use, obtain from commercial payors. In that case, if we are unable to obtain and maintain adequate reimbursement rates from commercial payors, this may adversely affect our Medicare rates.

In some circumstances, our tests may be furnished to hospital inpatients and paid by Medicare under different rules. For example, when a specimen is obtained from a patient who is at the time classified by Medicare as a hospital inpatient, Medicare would not make a separate payment for the test and we would have to look to the hospital for payment. We do not know how often this will occur or whether hospitals will resist paying us for our tests. In this situation, Medicare coverage would be determined by the MAC for the jurisdiction where the hospital is located, which may not cover our tests.

***Our RUO, clinical diagnostic and therapeutic products or services, and those jointly developed with our collaborators, may in the future be subject to product or service recalls. A recall of products or services, either voluntarily or at the direction of the FDA or another governmental authority, or the discovery of serious safety issues with our or our collaborators' products or services, could have a significant adverse impact on us.***

The FDA has the authority to require the recall of commercialized products or services that are subject to FDA regulation. Manufacturers may, under their own initiative, recall a product or service if any deficiency is found. The FDA requires that certain corrections and removals, including recalls intended to reduce a health risk, be reported to the FDA within ten working days of initiating such correction or removal. For reportable corrections and removals, companies are required to make additional periodic submissions to the FDA after initiating the recall, and often engage with the FDA on their recall strategy prior to initiating the recall. A government-mandated or voluntary recall by us, one of our distributors or our collaborators could occur as a result of an unacceptable health risk, component failures, failures in laboratory processes, malfunctions, manufacturing errors, design or labeling defects, or other deficiencies and issues. Recalls of any of our commercialized products or services or those jointly developed with our collaborators would divert managerial and financial resources and adversely affect our reputation, results of operations and financial condition. We may also be subject to liability claims, be required to bear other costs or take other actions that may negatively impact our future sales and our ability to generate profits. Companies are also required to maintain certain records of corrections and removals, even if these do not require reporting to the FDA. We or our collaborators may initiate voluntary recalls involving our commercialized products or services in the future that we determine do not require FDA notification. If the FDA disagrees with our determinations, they may require us to report those actions as recalls. A future recall announcement by us or our collaborators could harm our reputation with customers and negatively affect our results of operations and financial condition. In addition, the FDA or other agency could take enforcement action for failing to report the recalls when they were conducted.

If we or our collaborators initiate a recall, including a correction or removal, for one of our commercialized products or services, issue a safety alert, or undertake a field action or recall to reduce a health risk, this could lead to increased scrutiny by the FDA, other governmental and regulatory enforcement bodies, and our or our collaborators' customers regarding the quality and safety of our products and services, and to negative publicity, including FDA alerts, press releases, or administrative or judicial actions. Furthermore, the submission of these reports could be used against us by competitors and cause customers to delay purchase decisions or cancel orders, which would harm our reputation.

***Any additional commercialized products and services or any future products and services that obtain regulatory clearance, authorization, approval, accreditation or licensure will remain subject to regulatory scrutiny and our failure to maintain our regulatory clearances, authorizations, approvals, accreditations or licensures could adversely affect our reputation, business and results of operations.***

Even if we or our collaborators obtain regulatory clearance, authorization, approval, accreditation or licensure in a jurisdiction for our products and services, the applicable regulatory authority may still impose significant restrictions on the indicated uses or marketing of our products and services, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance of our or our collaborators' manufacturing and distribution. Advertising for certain devices and labeling, including promotional labeling, for all devices must comply with FDA requirements. In addition, device advertising and promotion may also be subject to other federal and state laws. For example, the FDA shares jurisdiction over the regulation of device advertising with the FTC. Advertising for devices characterized as restricted by the FDA is subject to specified FDA requirements, while advertising for non-restricted devices is regulated by the FTC.

If we or our collaborators fail to comply with applicable regulatory requirements following clearance, authorization, approval, accreditation or licensure of any of our products and services, a regulatory agency may:

- initiate an inspection of our or our collaborators' facilities;
- issue an untitled or warning letter asserting that we or our collaborators are in violation of law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory clearance, authorization or approval, or revoke a license or accreditation;
- suspend any ongoing clinical studies;
- delay or refuse clearance, authorization or approval of a pending regulatory submission or supplement submitted by us or our collaborators;
- impose restrictions on our or our collaborators' cleared, authorized, approved, accredited or licensed products or services;
- seize or recall the product or service;
- partially suspend or entirely shut down our or our collaborators' manufacturing or laboratory operations;



- issue advisories or other field actions;
- impose operating restrictions;
- refuse to allow us or our collaborators to enter into supply contracts, including government contracts; or
- refer matters to the DOJ or other enforcement or regulatory bodies.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may inhibit our and our collaborators' ability to commercialize any cleared, authorized or approved products and services and generate revenues.

***If any of our diagnostic products or services cause or contribute to a death or serious injury, or malfunction in certain ways, we will be required to report such death, serious injury or malfunction under applicable medical device reporting regulations, and such events can result in voluntary corrective actions or agency enforcement actions.***

Under FDA medical device reporting regulations, medical device manufacturers are required to report to the FDA information that a device has or may have caused or contributed to a death or serious injury or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or one of our similar devices were to recur. If such a death, serious injury or malfunction were to occur, and we or our collaborators are unable to demonstrate that the adverse events were caused by factors other than our or our collaborator's products and services, regulatory authorities could order us to cease further development of, or deny clearance, authorization or approval of, any of our or our collaborators' products and services for any or all targeted indications. Even if we and our collaborators are able to demonstrate that any serious adverse events are not related to our products and services, such occurrences could affect patient recruitment or the ability of enrolled trial participants to complete the trial. Moreover, if we or our collaborators elect, or are required, to delay, suspend or terminate any clinical trial of any product in development, the commercial prospects of such product in development may be harmed and our ability to generate product revenues may be delayed or eliminated. Any of these occurrences may harm our and our collaborators' ability to identify and develop future products and services, and may significantly harm our business, financial condition, result of operations and prospects.

***We are subject to various laws and regulations, such as healthcare fraud and abuse laws, false claim laws and health information privacy and security laws, among others, and failure to comply with these laws and regulations may have an adverse effect on our business.***

Healthcare providers, physicians, hospitals and third-party payors often play a primary role in the recommendation and prescription of any currently marketed products and services for which we may obtain clearance, authorization or approval. Our current and future arrangements with healthcare providers, physicians, hospitals and third-party payors, and our sales, marketing and educational activities related to our products and services, may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations at the federal and state level that may constrain our business or financial arrangements, and the relationships through which we market, sell and distribute our products and services. In addition, our operations are also subject to various federal and state fraud and abuse, physician payment transparency, and privacy and security laws, including, without limitation:

- The AKS, which prohibits, among other things, persons and entities, including clinical laboratories, from knowingly and willfully soliciting, receiving, offering or paying remuneration, whether directly or indirectly, overtly or covertly, in case or in kind, to induce or reward or in return for either the referral of an individual or the purchase, lease, order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program such as Medicare or Medicaid. The AKS has been interpreted broadly to apply to, among other things, arrangements between clinical laboratories and prescribers and purchasers of our tests. The term “remuneration” expressly includes kickbacks, bribes or rebates and has been broadly interpreted to include anything of value, including gifts, discounts, waivers of payment, ownership interests and any goods or services provided at less than their fair market value. We are also subject to the Beneficiary Inducement Statute set forth in the civil monetary penalty provisions of the AKS. There are several statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, however, these exceptions and safe harbors are drawn narrowly, and practices that do not fit squarely within an exception or safe harbor may be subject to scrutiny. The failure to meet all of the requirements of a particular statutory exception or regulatory safe harbor does not make the conduct *per se* illegal under the AKS. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of the facts and circumstances to determine whether one purpose of the remuneration in the arrangement was to induce referrals or generate business that is payable by a federal healthcare program. A violation of the AKS may be grounds for the government or a whistleblower to assert that a claim for payment of items or services resulting from such violation constitutes a false or fraudulent claim for purposes of the False Claims Act. Moreover, certain AKS safe harbors currently protecting rebates paid by device manufacturers to third parties and other arrangements between device manufacturers and third parties may later be modified or repealed pursuant to a pending regulatory proposal, which could require us to revisit or modify our business practices. Our practices may not meet all of the criteria for safe harbor protection from AKS liability in all cases. A person or entity does not need to have actual knowledge of the AKS or specific intent to violate any AKS provisions to have committed a violation.
- Section 8122 of the SUPPORT Act, EKRA, which establishes an all-payor anti-kickback prohibition that extends to arrangements with recovery homes, clinical laboratories and clinical treatment facilities. EKRA includes a number of statutory exceptions, and directs agencies to develop further exceptions. Current EKRA exceptions in some cases reference, and in others differ from, the AKS safe harbors. Significantly, the EKRA prohibitions apply to the soliciting or receipt of remuneration for any referrals to recovery homes, clinical treatment facilities or clinical laboratories, whether or not related to the treatment of substance use disorders. Further, the EKRA prohibitions cover the payment or offer of remuneration to induce a referral to, or in exchange for, an individual using the services of such providers. EKRA creates additional risk that relationships with referral sources could be problematic.
- Federal civil and criminal false claims laws and civil monetary penalty laws, including the False Claims Act, which prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, claims for payment to, or approval by, the federal government that are false, fictitious or fraudulent, or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the federal government. The False Claims Act also permits a private individual acting as a “whistleblower” to bring actions on behalf of the federal government alleging violations of the False Claims Act and to share in any monetary recovery. In addition, AKS violations implicate the False Claims Act. Conduct that results in a False Claims Act violation may also implicate various federal criminal statutes.

- The Criminal Health Care Fraud Statute, which imposes criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the AKS, a person or entity does not need to have actual knowledge or specific intent to violate the Criminal Health Care Fraud Statute.
- The Stark Law, which is directed at “self-referral,” prohibits, with certain exceptions, referrals for certain DHS, including laboratory services, that are covered by Medicare and Medicaid by physicians who personally, or through a family member, have an investment or ownership interest in, or a compensation arrangement with, an entity performing the tests. The prohibition also extends to payment for any testing referred in violation of the Stark Law. Because the Stark Law is a strict liability statute, proof of specific intent to violate the law is not a required element of a violation. Any person who engages in a scheme to circumvent the Stark Law’s referral prohibition may be fined up to \$100,000 for each such arrangement or scheme. In addition, any person who presents or causes to be presented a claim to Medicare or Medicaid in violation of the Stark Law is subject to civil monetary penalties of up to \$15,000 per bill submission, an assessment of up to three times the amount claimed and possible exclusion from participation in federal governmental payor programs, and those claims are considered false claims for which the parties to the arrangement may be liable under the False Claims Act. Bills submitted in violation of the Stark Law may not be paid by Medicare or Medicaid, and any person collecting any amounts with respect to any such prohibited bill is obligated to refund such amounts. Many states have comparable laws that are not limited to Medicare and Medicaid referrals. The Stark Law also places an annual cap, currently at \$429 for 2021, on the amount of non-monetary compensation, which consists of meal spend and educational items, that a company can spend on a physician in the aggregate. This annual cap requires careful tracking and coordination and if it is exceeded, as long as the amount exceeded is less than 50% of the total annual cap and is recouped from the physician within 180 calendar days or before the end of the calendar year, it is not a violation. This “return” option may only be used once every three years with respect to the same referring physician. We occasionally enter into financial relationships, usually compensation relationships, such as a consulting arrangement, with physicians who refer patients for testing. If these arrangements do not meet the Stark Law’s requirements, any claims submitted to Medicare or Medicaid could violate the law and put both the physician referral source and us at risk.
- The administrative simplification provisions of HIPAA, as amended and supplemented by HITECH, impose, among other things, obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of protected health information (“PHI”) held by certain healthcare providers, health plans and healthcare clearinghouses, known as covered entities, and their respective business associates. Among other things, HITECH made certain aspects of HIPAA’s rules, notably the “HIPAA Security Rule,” directly applicable to business associates, independent contractors or agents of covered entities that create, receive, maintain or transmit PHI in connection with providing a function on behalf of, or a service to, a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates and gave state attorneys general new authority to file civil actions for damages or injunctions in federal court to enforce the federal HIPAA regulation and seek attorneys’ fees and costs associated with pursuing federal civil actions. The HHS Office for Civil Rights (“OCR”) has increased its focus on compliance and continues to train state attorneys general for enforcement purposes. The OCR has recently increased both its efforts to audit HIPAA compliance and its level of enforcement, with one recent penalty exceeding \$16 million.
- GINA, which restricts employers and health insurance companies from requiring or using the results of genetic tests in specific contexts and does not provide a private right of action. A number of states have also adopted laws regarding genetic tests, some aligned with GINA and some with broader applicability, including granting broader rights to individuals.
- The Physician Payments Sunshine Act created under the ACA, and its implementing regulations, which requires applicable manufacturers of covered drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the State Children’s Health Insurance Program, with certain exceptions, to annually report to HHS information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. The Physician Payments Sunshine Act has been extended to payments and transfers of value to physician assistants, nurse practitioners and other mid-level healthcare providers, with reporting requirements going into effect in 2022 for payments and transfers of value made to these practitioners in 2021. In addition, certain state and local laws may impose additional transparency and healthcare compliance requirements on medical device manufacturers, as well as certain restrictions or limits on interactions with healthcare professionals.

- The FTCA, which the FTC interprets to require taking appropriate steps to secure consumers' personal information and considers the failures to do so to constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the FTCA. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Medical data is considered sensitive data that merits stronger safeguards, and the FTC's guidance for appropriately securing consumers' personal information is consistent with what is required by the HIPAA Security Rule. Some states, most notably Massachusetts and Nevada, also have adopted laws requiring the implementation of security measures to protect personal information, and all 50 states and the District of Columbia, Puerto Rico and Guam, have adopted breach notification laws.
- Analogous state laws and regulations, such as state anti-kickback, self-referral and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers, and in some cases even in self-pay scenarios. In addition, some state laws require life sciences companies to comply with the industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or to impose transparency requirements or restrictions on marketing activities.
- Various state, federal and foreign laws and regulations govern our ability to communicate, prospect, advertise and market our products and services through email, phone, text messages, facsimile and online methods.

Because of the breadth of these laws and the narrowness of the exceptions and safe harbors available under them, it is possible that certain of our business activities could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of the ongoing interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Ensuring that business arrangements with third parties comply with applicable healthcare laws, as well as responding to possible investigations by government authorities, can be time- and resource-consuming and can divert management's attention from our business.

If our operations are found to be in violation of any of the health regulatory laws described above or any other laws that apply to us, we may be subject to penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from participation in government healthcare programs, injunctions, private *qui tam* actions brought by individual whistleblowers in the name of the government and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, any of which could adversely affect our ability to operate our business and our results of operations.

***Our collection, use and disclosure of personal information, including health and employee information, is subject to state, federal and foreign privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm.***

The privacy and security of personal information stored, maintained, received or transmitted, including electronically, is a major issue in the United States and abroad. While we strive to comply with all applicable privacy and security laws and regulations, including, in our case, our own posted privacy policies, legal standards for privacy, including but not limited to "unfairness" and "deception," as enforced by the FTC and state attorneys general, these laws and regulations continue to evolve and any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, or could cause us to lose customers, which could have a material adverse effect on our business. Recently, there has been an increase in public awareness of privacy issues in the wake of revelations about the data-collection activities of various government agencies and in the number of private privacy-related lawsuits filed against companies (including a new private right of action under the CCPA as described below). Concerns about our practices with regard to the collection, use, retention, disclosure or security of personal information or other privacy-related matters, even if unfounded and even if we are in compliance with applicable laws, could damage our reputation and harm our business. Additionally, we receive personal information, including PHI from third parties, and if such third parties breach their representations to us regarding their compliance with applicable privacy and security laws, we could be exposed to proceedings or actions by government agencies or others.

Numerous foreign, federal and state laws and regulations govern the collection, dissemination, use and confidentiality of personal information, including genetic, biometric and health information, including state privacy, data security and breach notification laws, federal and state consumer protection and employment laws, HIPAA, GINA, the GDPR and other foreign data protection laws. These laws and regulations are increasing in complexity and number, may change frequently and sometimes conflict.

The HIPAA privacy, security and breach notification regulations, including the expanded requirements under HITECH, establish comprehensive federal standards with respect to the uses and disclosures of PHI by health plans, healthcare providers, including laboratories, and healthcare clearinghouses, in addition to setting standards to protect the confidentiality, integrity and security of PHI. The regulations establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which uses and disclosures of PHI are permitted or required without a specific authorization by the patient;
- a patient's rights to access, amend and receive an accounting of certain disclosures of PHI;
- requirements to notify individuals if there is a breach of their unsecured PHI;
- the contents of notices that must be provided to patients regarding our privacy practices for PHI;
- administrative, technical and physical safeguards required of entities that use or receive PHI; and
- the safeguarding of PHI.

Penalties for violations of these laws vary. For instance, penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly, and include civil monetary penalties of up to \$58,490 per violation, which cap has been increased to account for inflation, not to exceed approximately \$1.75 million per calendar year, for each provision of HIPAA that is violated and, in certain circumstances, criminal penalties with fines up to \$250,000 per violation and imprisonment. However, a single breach can result in findings of violations of multiple provisions, leading to possible penalties in excess of \$1.75 million for violations in a calendar year. Any person who knowingly obtains or discloses PHI in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one year of imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm. In addition, responding to government investigations regarding alleged violations of these and other laws and regulations, even if they ultimately result in no findings of violations or no penalties imposed, can consume our resources and impact our business and, if public, harm our reputation.

Computer networks are vulnerable to breach and unauthorized persons may in the future be able to exploit weaknesses in the security systems of our computer networks and gain access to PHI. Additionally, we share PHI with third-party contractors, and while they are contractually obligated under business associate agreements to safeguard and maintain the confidentiality of PHI, their indemnification of us would not insulate us from reputational harm. Unauthorized persons may be able to gain access to PHI stored in such third-party contractors' computer networks. Any wrongful use or disclosure of PHI by us or our third-party contractors, including disclosure due to data theft or unauthorized access to our or our third-party contractors' computer networks, could subject us to fines or penalties that could adversely affect our business and results of operations. Although HIPAA and the regulations promulgated thereunder do not provide for a private right of action, we could incur damages under state laws to private parties for the wrongful use or disclosure of confidential health information or other private personal information.

Further, various states, such as California, New York and Massachusetts, have implemented similar privacy laws and regulations, such as the California Confidentiality of Medical Information Act, that impose restrictive requirements regulating the use and disclosure of health information and other personal information. These laws and regulations are not necessarily preempted by HIPAA, but they afford greater protection to individuals than HIPAA. Where state laws are more protective, we and our collaborators must comply with the stricter provisions where they apply. In addition to fines and penalties imposed upon violators, some of these state laws also afford private rights of action to individuals who believe their personal information has been misused. The interplay of federal and state laws may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for us and our customers and potentially exposing us to additional expense, adverse publicity and liability. Further, as regulatory focus on privacy, security and data use issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to our immune medicine platform and related products and services could intensify. Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as PHI, along with increased customer demand for enhanced data security infrastructure, could greatly increase the cost of providing our products and services, decrease demand for our products and services, reduce our revenue and subject us to additional liabilities.

In addition, the interpretation and application of consumer, health-related and data protection laws, especially with respect to genetic samples and data, in the United States, the EU and elsewhere, are often uncertain, contradictory and in flux. We may eventually operate in a number of countries outside of the United States whose laws may in some cases be more stringent than the requirements in the United States. For example, the EU has specific requirements relating to cross-border transfers of personal data to certain jurisdictions, including to the United States. In addition, some countries have stricter consumer notice or consent requirements relating to personal data collection, use or sharing, have more stringent requirements relating to organizations' privacy programs and provide stronger individual rights. Moreover, international privacy and data security regulations may become more complex and result in greater penalties. For instance, as of May 25, 2018, the GDPR, has replaced the EU Data Protection Directive with respect to the collection and use of personal data of data subjects in the EU and the EEA. The GDPR applies extra-territorially under certain circumstances and imposes stringent requirements on controllers and processors of personal data, including, for example, requirements to obtain consent or other legal bases from individuals to process their personal data, provide robust disclosures to individuals, accommodate a set of individual data rights, provide data security breach notifications within 72 hours after discovering the breach, limit retention of personal information and apply enhanced protections to health data and other special categories of personal data. The GDPR also applies to pseudonymized data, which is defined as "the processing of personal data in such a way that the data can no longer be attributed to a specific data subject without the use of additional information," and imposes additional obligations when we contract with third-party processors in connection with the processing of any personal data. The GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data, which could limit our ability to use and share personal data, could cause our costs to increase and could harm our financial condition. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20 million or up to 4% of the total worldwide annual turnover of our preceding fiscal year, whichever is higher, and other administrative penalties. To comply with the new data protection rules imposed by the GDPR, we may be required to put in place additional mechanisms ensuring compliance, which may result in other substantial expenditures. This may be onerous and adversely affect our business, financial condition, results of operations and the profitability of our platform of products and services. Failure to comply with the GDPR and other countries' privacy or data security-related laws, rules or regulations could result in material penalties imposed by regulators, affect our compliance with contracts entered into with our collaborators and other third-party payors, and have an adverse effect on our business and financial condition. Currently, the GDPR is only applicable to us as a processor, but as we continue to expand into the European market, the GDPR will have direct applicability to us as a controller.

The GDPR also imposes strict rules on the transfer of personal data out of the EU to the United States. These obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. In addition, these rules are consistently under scrutiny. In July 2020, the CJEU invalidated the EU-US Privacy Shield, effective immediately, one of the methods for transfers of personal data into the US. The court found that under US surveillance laws, the US government has access to personal data that does not provide Europeans with privacy protections equivalent with the level of protection required under EU law. The Standard Contractual Clauses, which are currently being revised by the European Commission, are still valid but given the court's findings on US surveillance laws, a future case might deem transfers to the United States based on Standard Contractual Clauses invalid because they fail to meet that "essentially equivalent to that guaranteed within the EU" standard.

In addition to the GDPR, we continue to expand our business into several jurisdictions that have data privacy laws or begin to develop new data privacy laws. Organizations operating in Canada and covered by the Personal Information Protection and Electronic Documents Act ("PIPEDA"), or equivalent Canadian provincial laws, must obtain an individual's consent when they collect, use or disclose that individual's personal information. Individuals have the right to access and challenge the accuracy of their personal information held by an organization, and personal information may only be used for the purposes for which it was collected. If an organization intends to use personal information for another purpose, it must again obtain that individual's consent.

Because of the breadth of these data protection laws and the narrowness of their exceptions and safe harbors, it is possible that our business or data protection policies could be subject to challenge under one or more of such laws. The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of heightened regulatory focus on data privacy and security issues. If our operations are found to be in violation of any of the data protection laws described above or any other laws that apply to us, we may be subject to penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from participation in government healthcare programs, injunctions, private *qui tam* actions brought by individual whistleblowers in the name of the government, class action litigation and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corrective action plan or other agreement to resolve allegations of non-compliance with these laws, any of which could adversely affect our ability to operate our business and our results of operations.

***Security breaches, loss of data and other disruptions could compromise confidential, personal and sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.***

In the ordinary course of our business, we and our collaborators collect and store sensitive data, including PHI, personal information, credit card and other financial information, intellectual property and proprietary business information owned or controlled by ourselves or our customers, third-party payors, our collaborators, government entities, insurance companies and other parties. We manage and maintain our applications and data through a combination of on-site systems and cloud-based data centers. We utilize external security and infrastructure vendors to manage components of our data centers. We also transmit sensitive data, including patient data, telephonically, through our website and pursuant to arrangements with multiple third-party vendors and their subcontractors. These applications and data encompass a wide variety of critical business information, including research and development information, patient data, commercial information and financial information. We face a number of risks related to protecting this critical information, including loss-of-access risk, unauthorized access, use, disclosure or modification, and the risk of our inability to adequately monitor, audit and modify our respective control over our critical information. This risk extends to the data we entrust to the third-party vendors and subcontractors that help us manage this sensitive data or otherwise process it on our behalf.

The secure processing, storage, maintenance and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take reasonable measures to protect sensitive and proprietary data from unauthorized access, use or disclosure, no security measures can be perfect and our respective information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, liability under federal or state laws that protect the privacy of personal information, such as HIPAA or HITECH, and regulatory penalties. Notice of breaches may be required to be provided to affected individuals, the Secretary of HHS or other federal, state and foreign regulators, the media or state attorneys general. Such a notice could harm our reputation and ability to compete. Although we have implemented security measures and formal, dedicated enterprise security programs to prevent unauthorized access to patient and other personal data, such data is currently accessible through multiple channels and we may experience one or more data breaches. Unauthorized access, loss or dissemination could also disrupt our operations and damage our reputation, which could adversely affect our results of operations and financial condition.

***No TCR-based cellular therapies have been approved in this new potential category of medicines and may never be approved as a result of efforts by others or us. TCR-based cellular therapy drug discovery has substantial clinical development and regulatory risks due to the novel and unprecedented nature of this new category of immune medicines.***

As a potential new category of medicines, no TCR-based cellular therapies have been approved to date by the FDA or other regulatory agency. Successful discovery and development of TCR-based cellular therapies by us and our collaborators is highly uncertain and depends on numerous factors, many of which are beyond our and their control. We and our collaborators have made and will continue to make a series of business decisions and take calculated risks to advance our development efforts and pipeline of immune-driven therapeutic product candidates, including those related to TCR-based cellular therapies, delivery technology and manufacturing processes, which may be shown to be incorrect based on further work by us, our collaborators or others. Our cellular therapeutics product candidates that appear promising in the early phases of development may fail to advance, experience delays in the clinic, experience clinical holds or fail to reach the market for many reasons, including:

- discovery efforts identifying potential TCR-based cellular therapies may not be successful;
- nonclinical or preclinical study results may show potential TCR-based cellular therapies to be less effective than desired or to have harmful or problematic side effects;
- clinical trials may fail to meet one or more endpoints, or results may show the TCR-based cellular therapies to be less effective than expected or to have unacceptable side effects or toxicities;
- adverse effects relating to any one of our therapeutic product candidates or adverse effects relating to our TruTCR process may lead to delays in or termination of one or more of our products or services;
- the inability of our translational models to reduce risk or predict outcomes in humans, given that each component of our therapeutic product candidates may have a dependent or independent effect on safety, tolerability and efficacy, and that such effects may, among other things, be species-dependent;
- manufacturing failures or insufficient supply of current good manufacturing practices (“cGMP”) materials for future clinical trials, or higher than expected cost, could delay or set back clinical trials or make TCR-based cellular therapies commercially unattractive;

- our collaborators' improvements in the manufacturing processes for this new class of potential immune medicines may not be sufficient to satisfy the clinical or commercial demand of our jointly developed TCR-based cellular therapies or regulatory requirements for clinical trials;
- changes that we or our collaborators make to optimize manufacturing, testing or formulating of cGMP materials could impact the safety, tolerability and efficacy of our therapeutic products in development;
- pricing or reimbursement issues or other factors that delay clinical trials or make any TCR-based cellular therapies uneconomical or noncompetitive with other immunotherapies;
- failure to timely advance our or our collaborators' therapeutic products or receive the necessary regulatory clearances, authorizations or approvals or a delay in receiving such clearances, authorizations or approvals due to, among other reasons, slow or failure to complete enrollment in clinical trials, withdrawal by trial participants from trials, failure to achieve trial endpoints, additional time requirements for data analysis, data integrity issues, Biologics License Application or the equivalent application, discussions with the FDA or the European Medicines Agency, a regulatory request for additional nonclinical or clinical data, or safety formulation or manufacturing issues may lead to our inability to obtain sufficient funding; and
- the proprietary rights of others and their competing products and services that may prevent our TCR-based cellular therapies from being commercialized or threaten future commercialization activities.

### **Risks Relating to our Intellectual Property**

***We may not be successful in obtaining or maintaining sufficient intellectual property protection for our products, services and technologies and uses thereof, and the scope of the intellectual property protection obtained may not be sufficiently broad.***

As is the case with other companies engaged in the life sciences industry, our success depends in large part on our ability to obtain and maintain protection of the intellectual property we may own solely and jointly with others, or license from third parties, particularly patents, in the United States and other countries with respect to our products, services and technologies. We rely on patent protection in addition to trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or enable us to gain or maintain any competitive advantage. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us. In addition, we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate barriers to competition, our competitive position could be adversely affected, as could our business.

We apply for or in-license patents covering our products and technologies and uses thereof, as we deem appropriate. However, obtaining and enforcing patents is costly, time-consuming and complex, and we may fail to apply for patents on important products, services and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions. We may not be able to file and prosecute all necessary or desirable patent applications, or maintain, enforce and license any patents that may issue from such patent applications, at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. We may not have the right to control the preparation, filing and prosecution of patent applications or to maintain the rights to patents licensed from third parties. Consequently, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business.

As of December 31, 2020, we own or have rights to 451 active patents and patent applications filed in the United States, Europe and elsewhere. Of these, there are 65 pending patent applications and 386 granted patents. Our pending patent applications may not result in issued patents in a timely fashion or at all. Even if patents are granted, they may not provide a basis for intellectual property protection of commercially viable products or services, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties. It is also possible that others will design around our current or future patented technologies.



Some of our patents, licensed patents or patent applications may be challenged in the future, and we may not be successful in defending any such challenges. For example, we may be subject to a third-party pre-issuance submission of prior art to the U.S. Patent and Trademark Office (“USPTO”), or become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review or interference proceedings challenging our patent rights. Any successful third-party challenge to our patents could result in patent claims being narrowed, or patents being invalidated or held unenforceable, in whole or in part, which could lead to increased competition to our business. Conversely, we may have to challenge the patents or patent applications of third parties. The outcome of patent litigation or other proceeding can be uncertain, and any attempt by us to enforce our patent rights against others or to challenge the patent rights of others may not be successful, or, if successful, may take substantial time and result in substantial cost, and may divert our efforts and attention from other aspects of our business. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, regardless of the outcome, it could dissuade companies from collaborating with us to license, develop or commercialize current or future products or services. The patent positions of biotechnology companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. Inconsistent policies regarding the eligibility for patent protection and the breadth of patentable claims in such companies’ patents has emerged to date in the United States or elsewhere. Courts frequently render opinions in the biotechnology field that may affect the patentability of certain inventions or discoveries, including opinions that may affect the patentability of methods and compositions of matter useful in relation to immunosequencing.

The patent position of companies engaged in the development and commercialization of clinical diagnostic tests, like our clonoSEQ diagnostic test, are particularly uncertain. Various courts, including the U.S. Supreme Court, have rendered decisions that affect the eligibility and scope of patentability of certain inventions or discoveries relating to certain diagnostic tests and related technology. These decisions state, among other things, that a patent claim that recites an abstract idea, natural phenomenon or law of nature (for example, the relationship between particular immune receptors and cancer) may not be patentable. Precisely what constitutes a law of nature is uncertain, and it is possible that certain aspects of our clinical diagnostics would be considered natural laws. The evolving case law in the United States may adversely affect our ability to obtain patents or defend patents we have obtained or have licensed and may facilitate third-party challenges to any owned or licensed patents. The laws of some foreign countries do not protect intellectual property rights to the same extent or for the same subject matter as the laws of the United States, and we may encounter difficulties in protecting and defending such rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our patents in such countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

***We may not be able to protect our intellectual property rights throughout the world.***

Filing, prosecuting and defending patents on our products and services in all countries throughout the world would be prohibitively expensive. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and we may encounter difficulties in protecting and defending such rights in foreign jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our patents in such countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

***Changes in patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products and services.***

Changes in either the patent laws or in interpretations of patent laws in the United States or other countries or regions may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. In addition, a third party that files a patent application before us could be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we or our licensors were the first to either file any patent application related to our products or services or invent any of the inventions claimed in our or our licensor's patents or patent applications.

Third parties may also submit prior art to the USPTO during patent prosecution to attack the validity of a patent and it is also possible in the United States and other countries for third parties to challenge granted patents through Patent Office proceedings such as, in the United States, post-grant review, *inter partes* review and derivation proceedings. In the United States, a lower evidentiary standard is imposed in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim. As such, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The uncertainties and costs surrounding the prosecution of our owned or in-licensed patent applications and the enforcement or defense of our owned or in-licensed issued patents could have a material adverse effect on our business.

Recent U.S. Supreme Court rulings have also narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations, including with respect to naturally occurring biological molecules such as the immune cell receptors which are a focus of our immune medicine platform. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

***Issued patents covering our products and services could be found invalid or unenforceable if challenged.***

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability and some of our patents or patent applications, including licensed patents, may be challenged, in courts or patent offices in the United States and abroad, in opposition, derivation, reexamination, *inter partes* review, post-grant review or interference. Additionally, if we and our licensing partners initiate or become involved in legal proceedings against a third party to enforce a patent covering one of our products or technologies, the defendant could counterclaim that the patent covering our product is invalid or unenforceable. In patent litigation in the United States, counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including patent eligible subject matter, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. In addition, the United States now awards patent priority to the first party to file a patent application, and others may submit patent claims covering our inventions prior to us. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. A successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents, which could have a material adverse impact on our business. Furthermore, if the breadth or strength of protection provided by our patents and patent applications is threatened, regardless of the outcome, it could dissuade companies from collaborating with us to license, develop or commercialize current or future products and services.

We may not be aware of all third-party intellectual property rights potentially relating to our immune medicine platform, products and services. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until approximately 18 months after filing or, in some cases, not until such patent applications issue as patents. We might not have been the first to make the inventions covered by each of our pending patent applications and we might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, we may have to participate in interference proceedings, derivation proceedings or other post-grant proceedings declared by the USPTO. The outcome of such proceedings is uncertain, and other patent applications may have priority over our patent applications. Such proceedings could also result in substantial costs to us and divert our management's attention and resources.

***We rely on licenses from third parties in relation to certain products and services and if we lose these licenses then we may be subjected to future litigation.***

We are a party to license agreements that grant us rights to use certain intellectual property, including patents and patent applications, typically in certain specified fields of use. Some of those licensed rights could provide us with freedom to operate for aspects of our products and services. We may need to obtain additional licenses from others to advance our research, development and commercialization activities.

Our success may depend in part on the ability of our licensors to obtain, maintain and enforce patent protection for our licensed intellectual property. Our licensors may not successfully prosecute the patent applications we license. Even if patents issue in respect of these patent applications, our licensors may fail to maintain these patents, may determine not to pursue litigation against other companies that are infringing these patents or may pursue such litigation less aggressively than we would. Without protection for the intellectual property we license, other companies might be able to offer substantially identical products for sale, which could adversely affect our competitive business position and harm our business prospects.

Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Moreover, disputes may also arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether, and the extent to which, our products, services, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our collaborators; and
- the priority of invention of patented technology.

If we do not prevail in such disputes, we may lose any or all of our rights under such license agreements.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize any affected products or services, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Absent the license agreements, we may infringe patents subject to those agreements, and if the license agreements are terminated, we may be subject to litigation by the licensor. Litigation could result in substantial costs to us and distract our management. If we do not prevail, we may be required to pay damages, including treble damages, attorneys' fees, costs and expenses and royalties or be enjoined from selling our products or services, which could adversely affect our ability to offer products or services, our ability to continue operations and our financial condition.

***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.***

In addition to patent protection, we take steps to protect our intellectual property and proprietary technology by entering into agreements, including confidentiality agreements, non-disclosure agreements and intellectual property assignment agreements, with our employees, consultants, collaborators, academic institutions, life sciences research partners and, when needed, our advisers as well as other third parties. However, we cannot be certain that such agreements have been entered into with all relevant parties, and we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques.

For example, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. If we are required to assert our rights against such party, it could result in significant cost and distraction. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time-consuming, and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets.

We also seek to preserve the integrity and confidentiality of our confidential proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems. Besides the possibility that these security measures could be breached, such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third party with authorized access, provide adequate protection for our proprietary information. Our security measures may also not prevent an employee or consultant from misappropriating our trade secrets and providing them to a competitor, and recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

Certain former employees have obtained employment with companies or academic institutions that could be considered competitive with us. This competition may be limited by contractual provisions which may or may not be enforceable by us in certain jurisdictions. In addition, we may not be aware of such competitive employment arrangements until after our trade secrets have been disclosed to potentially competitive companies.

***We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

We employ, and expect to employ in the future, individuals who were previously employed at universities or other companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or other third parties, or to claims that we have improperly used or obtained such trade secrets. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. A loss of key research personnel work product could hamper or prevent our ability to commercialize potential products and services, which could harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

***We may not be able to protect and enforce our trademarks.***

We have not yet registered certain of our trademarks in all of our potential markets, although we have registered Adaptive Biotechnologies, clonoSEQ, immunoSEQ, pairSEQ and TruTCR in the United States, the EU and a number of other countries and are seeking to register additional trademarks, including our new corporate logos, T-Detect and TruAB for our antibody development program. As we apply to register our unregistered trademarks in the United States and other countries, our applications may not be allowed for registration in a timely fashion or at all, and our registered trademarks may not be maintained or enforced. In addition, opposition or cancellation proceedings may be filed against our trademark applications and registrations, and our trademarks may not survive such proceedings. In certain countries outside of the United States, trademark registration is required to enforce trademark rights. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would.

***We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.***

We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, trade secrets or other intellectual property as an inventor or co-inventor. Ownership disputes may arise, for example, from conflicting obligations of employees, consultants or others who are involved in developing our future products and services. Our co-founder, Dr. Harlan Robins, had dual employment with Fred Hutch and us until June of 2019, and accordingly has had obligations to assign his rights to inventions to either Fred Hutch or us depending on how and where the inventions were conceived, reduced to practice, developed or created. Disputes may arise in the future between Fred Hutch and us regarding ownership of intellectual property generated by Dr. Robins' work. Fred Hutch may claim to have ownership rights to our intellectual property.

Litigation may be necessary to defend against these and other claims by a third party challenging inventorship of our or our licensors' ownership of our owned or in-licensed patents, trade secrets or other intellectual property. If we or our licensors fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, intellectual property that is important to our product or services. Alternatively, we may need to obtain one or more additional licenses from the third party which will be time-consuming and expensive and could result in substantial costs and diversion of resources and could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

***If we become involved in patent litigation or other proceedings related to a determination of rights, we could incur substantial costs and expenses, substantial liability for damages or be required to stop our development and commercialization efforts of our products and services.***

There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the life sciences, clinical diagnostics and drug discovery industries, including patent infringement lawsuits, declaratory judgment litigation and adversarial proceedings before the USPTO, including interferences, derivation proceedings, *ex parte* reexaminations, post-grant review and *inter partes* review, as well as corresponding proceedings in foreign courts and foreign patent offices.

We are currently involved in appeals from Opposition Proceedings at the European Patent Office related to three of our patents: EP2364368, EP2387627, and EP3059337. We may, in the future, become involved with litigation or actions at the USPTO or foreign patent offices with various third parties. We expect that the number of such claims may increase as our industry expands, more patents are issued, the number of products or services increases and the level of competition in our industry increases. Any infringement claim, regardless of its validity, could harm our business by, among other things, resulting in time-consuming and costly litigation, diverting management's time and attention from the development of our business, requiring the payment of monetary damages (including treble damages, attorneys' fees, costs and expenses) or royalty payments.

It may be necessary for us to pursue litigation or adversarial proceedings before the patent office in order to enforce our patent and proprietary rights or to determine the scope, coverage and validity of the proprietary rights of others. The outcome of any such litigation might not be favorable to us, and even if we were to prevail, such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results or financial condition.

As we move into new markets and expand our products or services offerings, incumbent participants in such markets may assert their patents and other proprietary rights against us as a means of slowing our entry into such markets or as a means to extract substantial license and royalty payments from us. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product or service revenue and against whom our own patents may provide little or no deterrence or protection.

Third parties may assert that we are employing their proprietary technology without authorization. Given that clinical diagnostics and drug discovery fields are intense and highly competitive areas, there may be third-party intellectual property rights that others believe could relate to our immune medicine platform, products and services. We have been approached on four occasions with an offer from a third-party patent owner or licensee to license rights to us under patents relating to immune medicine. We have been contacted by Invivoscribe, Inc. regarding U.S. Pat. No. 7,785,783 on March 24, 2012; by Keygene NV regarding U.S. Pat. No. 9,453,256 on October 10, 2016; by MorphoSys AG regarding EP Patent 2243030 and U.S. Pat. No. 9,404,929 on October 10, 2018; and by DName-iT NV regarding EP Patent 2201143 and U.S. Pat. No. 8,318,434 in December 2018. In each instance, we have declined to pursue licenses to the patents and the matters have not been pursued further. One or more of these or other third-party patent owners or licensees may pursue or threaten to pursue litigation against us to enforce one or more patents. It would be costly and time-consuming to defend such claims.

Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our current or future products, technologies and services may infringe. We cannot be certain that we have identified or addressed all potentially significant third-party patents in advance of an infringement claim being made against us. In addition, similar to what other companies in our industry have experienced, we expect our competitors and others may have patents or may in the future obtain patents and claim that making, having made, using, selling, offering to sell or importing our products or services infringes these patents. Defense of infringement and other claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. Parties making claims against us may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Parties making claims against us may be able to obtain injunctive or other relief, which could block our ability to develop, commercialize and sell products or services and could result in the award of substantial damages against us, including treble damages, attorneys' fees, costs and expenses if we are found to have willfully infringed. In the event of a successful claim of infringement against us, we may be required to pay damages and ongoing royalties and obtain one or more licenses from third parties, or be prohibited from selling certain products or services. We may not be able to obtain these licenses on acceptable or commercially reasonable terms, if at all, or these licenses may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. In addition, we could encounter delays in product or service introductions while we attempt to develop alternative products or services to avoid infringing third-party patents or proprietary rights. Defense of any lawsuit or failure to obtain any of these licenses could prevent us from commercializing products or services, and the prohibition of sale of any of our products or services could materially affect our business and our ability to gain market acceptance for our products or services.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

In addition, our agreements with some of our customers, suppliers or other entities with whom we do business require us to defend or indemnify these parties to the extent they become involved in infringement claims, including the types of claims described above. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, operating results or financial condition.

***Patent terms may be inadequate to protect our competitive position on our products and services for an adequate amount of time.***

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our products and services are obtained, once the patent life has expired, we may be open to competition from competitive products. Given the amount of time required for the development, testing and regulatory review of new products and services, patents protecting such products and services might expire before or shortly after such products and services are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

**Risks Relating to our Common Stock**

***The market price of our common stock is volatile and is likely to continue to fluctuate substantially.***

We are a new public company and the market price of our common stock has been and is likely to continue to be highly volatile and may fluctuate substantially due to many factors, many of which are beyond our control. These factors include:

- the commencement or termination of our collaborations;
- the timing of achievement of specified milestones in the development of our products and services;
- introductions of new or expanded products or services or new pricing policies by us or by our competitors;
- changes in the status of our regulatory clearances, authorizations, approvals or applications, or those jointly developed with our collaborators;
- where required, the results of clinical trials of our future products and services, those jointly developed with our collaborators or those of our competitors;
- the success of competitive products or technologies;
- announcements by us or our competitors of significant acquisitions, collaborators or divestitures;

- changes in governmental regulations and regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the life sciences, clinical diagnostics or drug discovery industry;
- general economic, industry and market conditions;
- sales of our securities, including sales by our directors, officers or significant shareholders;
- speculation about our business in the media or the investment community; and
- other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. If the market for stock in our industry or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation, if instituted against us, could result in substantial costs to us and divert our management's attention and resources, which could seriously harm our business, financial condition, results of operations and prospects.

***If securities analysts do not publish research or reports about our business, or we are the subject of negative publicity, the price of our stock could decline.***

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not control these analysts. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable evaluations of our company or our stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company or fail to publish reports covering our company regularly, our stock may lose visibility in the market, which in turn could cause our stock price to decline. In addition, if we are the subject of negative publicity, whether from an analyst, academic, industry group or the general or financial press, our stock price may decline.

***If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. If our assumptions change or if actual circumstances differ from our assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

***Substantial future sales or perceived potential sales of our common stock or other equity securities in the public market could cause the price of our common stock to decline significantly.***

Sales of substantial amounts of our common stock or other equity securities in the public market, particularly by our directors, executive officers and significant shareholders, including upon the expiration of any lock-up periods entered into in connection with offerings of our common stock or other equity securities, or the perception that these sales could occur, could materially and adversely affect the price of our common stock and impair our ability to raise capital through the sale of equity securities.

***We are subject to financial reporting and other requirements for which our accounting and other management systems and resources may not be adequately prepared.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”), we are required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we were an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, our auditors were not required to formally attest to the effectiveness of our internal control over financial reporting. As of the end of our fiscal year ended December 31, 2020, we qualified as a “large accelerated filer” as defined in the Exchange Act and, as a result, ceased to qualify as an emerging growth company. Accordingly, commencing with our Annual Report on Form 10-K for the year ended December 31, 2020, we are required to have our auditors formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. Our compliance with Section 404 necessitates that we incur substantial accounting expense and expend significant management efforts. We will continue to dedicate internal resources, potentially engage outside consultants, and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We are also required to maintain disclosure controls and procedures. Disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. We do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. We believe a control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

***Provisions in our charter documents and Washington law could make an acquisition of our company more difficult and limit attempts by our shareholders to replace or remove our current management.***

Our amended and restated articles of incorporation (“Articles of Incorporation”) and our amended and restated bylaws (“Bylaws”), as well as Washington law, contain provisions that may have the effect of deterring takeovers or delaying or preventing a change in control of us or changes in our management that a shareholder might deem to be in his or her best interest. Our Articles of Incorporation and Bylaws contain provisions that:

- authorize “blank check” preferred stock, which could be issued by our board of directors without shareholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- create a classified board of directors whose members serve staggered three-year terms, with one class being elected each year by our shareholders;
- specify that special meetings of our shareholders can be called only by our board of directors, the Chairperson of our board of directors, our chief executive officer or our president;
- provide that a director may only be removed from the board of directors for cause and then only by the affirmative vote of our shareholders;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even if less than a quorum;



- specify that only our board of directors may change the size of our board of directors;
- establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of our shareholders, including proposed nominations of persons for election to our board of directors;
- specify that no shareholder is permitted to cumulate votes at any election of directors;
- expressly authorize our board of directors to modify, alter or repeal our Bylaws; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our Articles of Incorporation and Bylaws.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management or our board of directors.

In addition, because we are incorporated in the State of Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act (“WBCA”), which prohibits certain business combinations between us and certain significant shareholders unless specified conditions are met. These provisions may also have the effect of delaying or preventing a change in control of our company.

Any provision of our Articles of Incorporation or Bylaws or Washington law that has the effect of delaying or deterring a change in control could limit the opportunity for our shareholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

***Our Articles of Incorporation provide that the state courts located in King County, Washington and, to the extent enforceable, the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our shareholders, which could limit our shareholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our Articles of Incorporation provide that, unless we consent in writing to the selection of an alternative forum, the state courts located in King County, Washington (or, if the state courts located within King County, Washington do not have jurisdiction, the federal district court for the Western District of Washington) shall be the sole and exclusive forum for commencing and maintaining any proceeding (1) asserting a claim based on a violation of a duty under the laws of the State of Washington by any of our current or former directors, officers or shareholders in such capacity, (2) commenced or maintained in the right of our corporation, (3) asserting a claim arising pursuant to any provision of the WBCA, our Articles of Incorporation or our Bylaws (as either may be amended from time to time) or (4) asserting a claim concerning our internal affairs that is not included in clauses (1) through (3) above, in all cases to the fullest extent permitted by law and subject to the court having personal jurisdiction over the indispensable parties named as defendants. These provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

Our Articles of Incorporation provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (“Securities Act”), subject to applicable law.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. Our exclusive forum provision will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our shareholders will not be deemed to have waived our compliance with these laws, rules and regulations. These exclusive-forum provisions may limit a shareholder’s ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

If a court were to find these exclusive-forum provisions in our Articles of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations. For example, the Court of Chancery of the State of Delaware recently determined that a provision stating that U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable under Delaware law. It is unclear whether the Delaware Supreme Court will review and ultimately overturn this decision, and whether Washington courts would reach a similar conclusion under Washington law. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

***Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.***

Our Articles of Incorporation provide that we will indemnify our directors and officers to the fullest extent permitted by Washington law.

In addition, as permitted by Section 23B.08.510 through Section 23B.08.570 of the WBCA, our Articles of Incorporation and our indemnification agreements that we have entered into with our directors and officers provide that:

- We will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Washington law. Washington law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful;
- We may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- We are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- The rights conferred in our Articles of Incorporation are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and
- We may not retroactively amend our Articles of Incorporation provisions to reduce our indemnification obligations to directors, officers, employees and agents.

*Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.*

We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business, and do not anticipate paying any cash dividends on our common stock for the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

#### **Item 1B. Unresolved Staff Comments**

Not applicable.

#### **Item 2. Properties**

Our current corporate headquarters is located in Seattle, Washington, where we lease approximately 65,500 square feet of laboratory and office space. This lease expires October 2032, subject to two options to extend the lease for five years. In 2019, we entered into an additional lease in Seattle, Washington to rent approximately 100,000 square feet, which we plan to occupy in 2021 when construction is complete. The lease expires in August 2033, subject to our option to twice extend the lease for five years. Additionally, we lease approximately 14,750 square feet in a separate Seattle, Washington location, pursuant to a lease expiring in October 2029, subject to our ability to exercise an early termination right in 2022.

We also lease approximately 33,300 square feet of laboratory and office space in South San Francisco, California, pursuant to an amended lease that expires March 2026, subject to our option to extend the lease for five years, and approximately 3,100 square feet of office space in New York City, New York, pursuant to a lease that expires November 2025, subject to our ability to exercise an early termination right in 2023.

We may add new facilities or expand existing facilities as we add employees and scale our operations, and we believe suitable additional or substitute space will be available as needed.

#### **Item 3. Legal Proceedings**

From time to time, we may be subject to legal proceedings. We are not currently a party to or aware of any proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market information for common stock**

Our common stock began trading on The Nasdaq Global Select Market under the symbol “ADPT” on June 27, 2019. Prior to that date, there was no public trading market for our common stock.

**Holders of record**

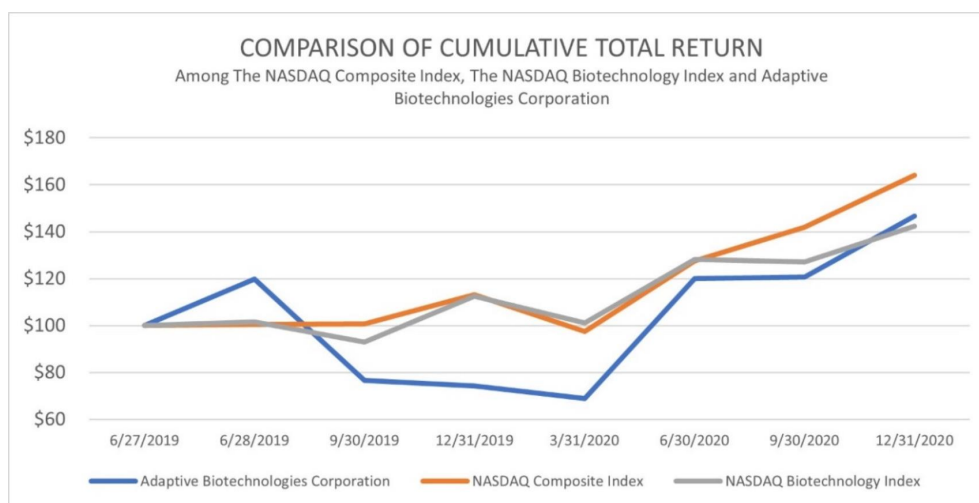
As of February 19, 2021, there were approximately 117 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders.

**Dividend policy**

We currently intend to retain all available funds and any future earnings to fund the growth and development of our business. We do not intend to pay cash dividends to our shareholders in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Our future ability to pay cash dividends on our common stock may also be limited by the terms of any future debt securities, preferred stock or credit facility.

**Stock performance graph**

The graph below compares the cumulative total shareholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Biotechnology Index. The graph assumes \$100 was invested at the market close on June 27, 2019, which was our initial trading day, in our common stock. Data for the NASDAQ Composite Index and the NASDAQ Biotechnology Index assume reinvestment of dividends. Our offering price of our common stock in our initial public offering, which had a closing stock price of \$40.30 on June 27, 2019, was \$20.00 per share. The stock price performance below is based upon historical data and is not necessarily indicative of, nor intended to forecast, future performance of our common stock.



This graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of Adaptive Biotechnologies Corporation under the Securities Act or the Exchange Act.

**Item 6. Selected Financial Data**

Not applicable. We early adopted the SEC’s final rule issued on January 11, 2021 related to amendments to modernize, simplify and enhance certain financial disclosure requirements in Regulation S-K.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes and the other financial information appearing elsewhere in this Annual Report on Form 10-K, as well as the other financial information we file with the SEC from time to time. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties relating to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Annual Report on Form 10-K, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

*This section generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 may be found in Part II, Item 7 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.*

### Overview

We are advancing the field of immune medicine by harnessing the inherent biology of the adaptive immune system to transform the diagnosis and treatment of disease. We believe the adaptive immune system is nature's most finely tuned diagnostic and therapeutic for most diseases, but the inability to decode it has prevented the medical community from fully leveraging its capabilities. Our immune medicine platform applies our proprietary technologies to read the diverse genetic code of a patient's immune system and aims to understand precisely how the immune system detects and treats disease in that patient. We capture these insights in our dynamic clinical immunomics database, which is underpinned by computational biology and machine learning, and use them to develop and commercialize clinical products and services that we are tailoring to each individual patient. We have commercial products and services and a robust pipeline of clinical products and services that we are designing to diagnose, monitor and enable the treatment of diseases, such as cancer, autoimmune conditions and infectious diseases.

Our immune medicine platform is the foundation for our expanding suite of products and services. The cornerstone of our platform and core immunosequencing product, immunoSEQ, serves as our underlying research and development engine and generates revenue from biopharmaceutical and academic customers. Our first clinical diagnostic product, clonoSEQ, is the first test authorized by the FDA for the detection and monitoring of MRD in patients with MM, ALL and CLL and is also available as a CLIA-validated LDT for patients with other lymphoid cancers.

We are using the TCR-Antigen Map to develop research solutions and diagnostic products, such as immunoSEQ T-MAP and T-Detect, formerly known as immunoSEQ Dx. T-Detect COVID, for which we have applied for EUA, confirms past SARS-CoV-2 infection, the virus that causes COVID-19, and is also the first indication for the T-Detect product line. We are finalizing clinical validation of T-Detect for acute Lyme disease, have identified a clinical signal for Crohn's disease and continue to pursue signals for other disease states, in parallel.

Our therapeutic product candidates, being developed under the Genentech Agreement, leverage our platform to identify specific receptors on immune cells to develop into cellular therapies in oncology. We also recently extended our platform to identify highly potent neutralizing antibodies against SARS-CoV-2 and we believe this differentiated approach may be leveraged across multiple disease states.

Since our inception, we have devoted a majority of our resources to research and development activities to develop our immune medicine platform.

For our life sciences research customers, we provide two categories of products and services using immunoSEQ. First, we provide immunosequencing services, the revenue from which we record as sequencing revenue. Second, we provide certain research customers professional support, for which we may receive nonrefundable upfront or recurring payments. We may receive additional payments upon those customers achieving specified milestones. Revenue related to these activities are recorded as development revenue.

For our clinical diagnostics customers, we sell our clonoSEQ diagnostic test and T-Detect COVID test, which include our immunosequencing services and are thus recorded as sequencing revenue. In the future, we intend to sell other diagnostics products and services, including other indications for T-Detect, which we also expect to record as sequencing revenue.

For our current drug discovery collaborator, Genentech, we screen, identify and characterize TCRs in support of our collaboration. We record revenue from this collaboration as development revenue.

Historically, we have sold immunoSEQ as a fee-for-service offering. These research offerings have comprised the majority of our revenue to date, although our business is pursuing broader opportunities. As we continue to expand the use of our clonoSEQ diagnostic tests, develop and commercialize T-Detect and develop and commercialize therapeutic product candidates with our drug discovery collaborator, we expect our mix of revenue to shift to clinical products and services, which we believe will become our largest sources of revenue.

We are actively pursuing opportunities to deepen our relationships with current customers and initiate relationships with new customers. We have an experienced, specialty salesforce that is targeting department heads, laboratory directors, principal investigators, core facility directors, clinicians, payors and research scientists and pathologists at leading academic institutions, biopharmaceutical companies, research institutions and contract research organizations. As MRD assessment becomes standard practice for patient management across a range of blood cancers, we believe it will be essential for clinicians and patients to have access to a highly accurate, sensitive and standardized MRD assessment tool. We are focused on establishing and maintaining collaborative relationships with payors, developing health economic evidence and building billing and patient access infrastructure to expand reimbursement coverage for our clinical diagnostics. We continue to seek expanded coverage of our clonoSEQ diagnostic test and have successfully expanded coverage through contractual agreements or positive medical policies with Medicare and several of the largest national private health insurers in the United States.

We generated revenue of \$98.4 million and \$85.1 million for the year ended December 31, 2020 and 2019, respectively. Our net losses were \$146.2 million and \$68.6 million for the year ended December 31, 2020 and 2019, respectively. We have funded our operations to date principally from the sale of convertible preferred stock and common stock and, to a lesser extent, sequencing and development revenue. As of December 31, 2020 and 2019, we had cash, cash equivalents and marketable securities of \$806.8 million and \$682.3 million, respectively.

### ***Follow-On Offering***

In July 2020, we completed an underwritten public offering of our common stock in which we issued and sold 7,200,000 shares of common stock at a public offering price of \$40.00 per share. We received \$271.8 million in net proceeds, after deducting underwriting discounts and net offering expenses paid by us.

## **Components of Results of Operations**

### ***Revenue***

We derive our revenue from two sources: (1) sequencing revenue and (2) development revenue.

*Sequencing revenue.* Sequencing revenue reflects the amounts generated from providing testing services through clonoSEQ to clinical and research customers and from providing sequencing services through immunoSEQ to research customers.

For our clinical customers, we derive revenue from providing our clonoSEQ test report to ordering physicians. We bill medical institutions and commercial and government payors based on tests delivered to ordering physicians. Amounts paid for clonoSEQ diagnostic tests by medical institutions and commercial and government payors vary based on respective reimbursement rates and patient responsibilities, which may differ from our targeted list price. To date, the majority of our clonoSEQ diagnostic test revenue has been received from medical institutions. We recognize clinical revenue by evaluating customer payment history, contracted reimbursement rates, if applicable, and other adjustments to estimate the amount of revenue that is collectible. Until 2019, we did not have reimbursement available to us through any government payors for clonoSEQ.

For our clonoSEQ coverage under Medicare, we bill an episode of treatment when we deliver the first eligible test results. This billing contemplates all necessary tests required during a patient's treatment cycle, which is currently estimated at approximately four tests per patient, including the initial sequence identification test. Revenue recognition commences at the time the initial billable test result is delivered and is based upon cumulative tests delivered to date. Any unrecognized revenue from the initial billable test is recorded as deferred revenue and recognized as we deliver the remaining tests in a patient's treatment cycle or when it becomes remote that a patient will receive additional testing and we have not delivered our estimate of total tests.

For our research customers, which include biopharmaceutical customers and academic institutions, delivery of the sequencing results may include some level of professional support and analysis. Terms with biopharmaceutical customers generally include non-refundable upfront payments, which we record as deferred revenue. For all customers, we recognize revenue as we deliver sequencing results. From time to time, we offer discounts in order to gain rights and access to certain datasets. Revenue is recognized net of these discounts and costs associated with these services are reflected in cost of revenue.

*Development revenue.* Development revenue primarily represents regulatory or development support services, other than sequencing revenue, that we provide to biopharmaceutical customers who seek access to our platform to support their therapeutic development activities. We enter into collaboration and similar agreements with these customers. When these agreements include sequencing activities, we separately classify those activities as sequencing revenue. These agreements may also include substantial non-refundable upfront payments, which we recognize as development revenue over time as we perform the respective services. Additionally, we generate development revenue from the achievement of regulatory milestones.

We expect revenue to increase over the long term, particularly as the mix of revenue migrates to clinical diagnostics and drug discovery. The pace by which this mix migrates will be determined by the level of customer adoption and frequency of use of our products and services. Our revenue may fluctuate from period to period due to the uncertain nature of delivery of our products and services, the achievement of milestones by us or our customers, timing of expenses incurred, changes in estimates of total anticipated costs related to our Genentech Agreement and other events not within our control, such as the delivery of customer samples or customer decisions to no longer pursue their development initiatives.

Due to the ongoing uncertainties related to the COVID-19 pandemic, we may continue to experience variability in revenue in the near term as our customers' abilities to procure samples for their research initiatives change, as customer initiatives evolve and as clinical testing is impacted.

### ***Cost of Revenue***

Cost of revenue includes the cost of materials, personnel-related expenses (comprised of salaries, benefits and share-based compensation), shipping and handling, equipment and allocated facility costs associated with processing samples and professional support for our sequencing revenue. Allocated facility costs include depreciation of laboratory equipment, allocated facility occupancy and information technology costs. Costs associated with processing samples are recorded as expense, regardless of the timing of revenue recognition. As such, cost of revenue and related volume does not always trend in the same direction as revenue recognition and related volume. Additionally, costs to support our Genentech Agreement are a component of our research and development activities.

We expect cost of revenue to increase in absolute dollars as we grow our sequencing volume and make increased investments in laboratory automation and facilities, but the cost per sample to decrease over the long term due to the efficiencies we may gain as sequencing volume increases from improved utilization of our laboratory capacity, automation and other value engineering initiatives. If our sample volume throughput is reduced as a result of the COVID-19 pandemic or otherwise, cost of revenue as a percentage of total revenue may be adversely impacted due to fixed overhead costs.

### ***Research and Development Expenses***

Research and development expenses consist of laboratory materials costs, personnel-related expenses, equipment costs, allocated facility costs, information technology expenses and contract service expenses. Research and development activities support further development and refinement of existing assays and products, discovery of new technologies and investments in our immune medicine platform. We also include in research and development expenses the costs associated with software development of applications to support future commercial opportunities, as well as development activities to support laboratory scaling and workflow. We are currently conducting research and development activities for several products and services and we typically use our laboratory materials, personnel, facilities, information technology and other development resources across multiple development programs. Additionally, certain of these research and development activities benefit more than one of our product opportunities. We do not track research and development expenses by specific product candidates.

A component of our research and development activities is supporting clinical and analytical validations to obtain regulatory approval for future clinical products and services. Additionally, the costs to support our Genentech Agreement are a component of our research and development activities. Some of these activities have generated and may in the future generate development revenue.

We expect our research and development expenses to continue to increase in absolute dollars as we innovate and expand the application of our platform. However, we expect research and development expenses to decrease as a percentage of revenue in the long term, although the percentage may fluctuate from period to period due to the timing and extent of our development and commercialization efforts. While the pace and priorities of our research and development initiatives may continue to be impacted by the COVID-19 pandemic, we expect to continue to increase expenses in both the near and long-term to support our ongoing initiatives, which include our initiatives with respect to COVID-19.

## Sales and Marketing Expenses

Sales and marketing expenses consist primarily of personnel-related expenses for commercial sales, account management, marketing, reimbursement, medical education and business development personnel that support commercialization of our platform products. In addition, these expenses include external costs such as advertising expenses, customer education and promotional expenses, market analysis expenses, conference fees, travel expenses and allocated facility costs.

We expect our sales and marketing expenses to increase in absolute dollars as we expand our commercial sales, marketing and business development teams and increase marketing activities to drive awareness and adoption of our products and services. However, we expect sales and marketing expenses to decrease as a percentage of revenue in the long term, subject to fluctuations from period to period due to the timing and magnitude of these expenses.

## General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related expenses, including share-based compensation, salaries and benefits for our personnel in executive, legal, finance and accounting, human resources and other administrative functions, including third-party billing services. In addition, these expenses include insurance costs, external legal costs, accounting and tax service expenses, consulting fees and allocated facility costs.

We expect our general and administrative expenses to continue to increase in absolute dollars as we increase headcount. Though expected to increase in absolute dollars, we expect these expenses to decrease as a percentage of revenue in the long term as revenue increases.

## Statements of Operations Data and Other Financial and Operating Data

The following table sets forth our statements of operations data and other financial and operating data for the periods presented:

	Year Ended December 31,		
	2020	2019	2018
(in thousands, except share and per share amounts)			
<b>Statements of Operations Data:</b>			
<b>Revenue</b>			
Sequencing revenue	\$ 41,439	\$ 43,519	\$ 32,978
Development revenue	56,943	41,552	22,685
Total revenue	<u>98,382</u>	<u>85,071</u>	<u>55,663</u>
<b>Operating expenses</b>			
Cost of revenue	22,530	22,274	19,668
Research and development	116,072	70,705	39,157
Sales and marketing	61,358	38,453	24,486
General and administrative	49,536	30,332	20,409
Amortization of intangible assets	1,703	1,698	1,699
Total operating expenses	<u>251,199</u>	<u>163,462</u>	<u>105,419</u>
Loss from operations	(152,817)	(78,391)	(49,756)
Interest and other income, net	6,590	9,785	3,309
Net loss	(146,227)	(68,606)	(46,447)
Fair value adjustment to Series E-1 convertible preferred stock options	—	(964)	102
Net loss attributable to common shareholders	<u>\$ (146,227)</u>	<u>\$ (69,570)</u>	<u>\$ (46,345)</u>
Net loss per share attributable to common shareholders, basic and diluted	<u>\$ (1.11)</u>	<u>\$ (1.01)</u>	<u>\$ (3.67)</u>
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	<u>131,216,468</u>	<u>69,165,315</u>	<u>12,629,778</u>
<b>Other Financial and Operating Data:</b>			
Adjusted EBITDA <sup>(1)</sup>	<u>\$ (119,584)</u>	<u>\$ (57,476)</u>	<u>\$ (32,607)</u>

(1) Adjusted EBITDA is a non-GAAP financial measure that we define as net loss adjusted for interest and other income, net, income tax (expense) benefit, depreciation and amortization and share-based compensation expenses. Please refer to “Adjusted EBITDA” below for a reconciliation between Adjusted EBITDA and net loss, the most directly comparable GAAP financial measure, and a discussion about the limitations of Adjusted EBITDA.



## Comparison of the Years Ended December 31, 2020 and 2019

### Revenue

(in thousands, except percentages)

	Year Ended December 31,		Change		Percent of Revenue	
	2020	2019	\$	%	2020	2019
<b>Revenue</b>						
Sequencing revenue	\$ 41,439	\$ 43,519	\$ (2,080)	(5)%	42%	51%
Development revenue	56,943	41,552	15,391	37	58	49
Total revenue	<u>\$ 98,382</u>	<u>\$ 85,071</u>	<u>\$ 13,311</u>	16	<u>100%</u>	<u>100%</u>

Total revenue was \$98.4 million for the year ended December 31, 2020, compared to \$85.1 million for the year ended December 31, 2019, representing an increase of \$13.3 million, or 16%.

Sequencing revenue decreased to \$41.4 million for the year ended December 31, 2020, representing a decrease of \$2.1 million, or 5%. The decrease in sequencing revenue was attributable to an \$8.6 million decrease in revenue generated from biopharmaceutical and academic customers, inclusive of a \$0.9 million decrease in revenue recognized from cancelled customer projects, which was partially offset by a \$6.5 million increase in revenue generated from clinical customers. This increase was inclusive of a \$0.6 million increase in revenue related to Medicare that was recognized from our deferred revenue because of our determination that additional testing for specific patients was remote.

Research sequencing volume decreased by 36% to 22,663 sequences delivered in the year ended December 31, 2020 from 35,491 sequences delivered in the year ended December 31, 2019. The reduction in research sequencing volume was driven partly by the expiration of a translational agreement with a biopharmaceutical customer in the fourth quarter of 2019 and trial enrollment delays and project deferrals from our biopharmaceutical and academic customers. The impact of the COVID-19 pandemic on the operating capacity of our biopharmaceutical and academic customers was a large contributing factor to trial enrollment delays. Clinical sequencing volume increased by 50% to 15,216 clinical tests delivered in the year ended December 31, 2020 from 10,168 clinical tests delivered in the year ended December 31, 2019.

Development revenue increased to \$56.9 million for the year ended December 31, 2020, representing an increase of \$15.4 million, or 37%. The increase was primarily attributable to a \$17.7 million increase in revenue generated from the Genentech Agreement, partially offset by a \$2.0 million decrease in revenue generated from translational agreements.

### Cost of Revenue

(in thousands, except percentages)

	Year Ended December 31,		Change		Percent of Revenue	
	2020	2019	\$	%	2020	2019
Cost of revenue	\$ 22,530	\$ 22,274	\$ 256	1%	23%	26%

Cost of revenue was \$22.5 million for the year ended December 31, 2020, compared to \$22.3 million for the year ended December 31, 2019, representing an increase of approximately \$0.3 million, or 1%. The increase was primarily attributable to a \$5.8 million increase in labor and overhead costs, a \$0.8 million increase in cost of materials resulting from product mix and a \$0.6 million increase in biopharmaceutical partner support and other expenses, all of which were mostly offset by a \$5.9 million decrease related to higher usage of our production laboratory to process research and development samples versus revenue samples, as well as a \$1.1 million decrease in materials cost resulting from decreased revenue sample volume.

### Research and Development

(in thousands, except percentages)

	Year Ended December 31,		Change		Percent of Revenue	
	2020	2019	\$	%	2020	2019
Research and development	\$ 116,072	\$ 70,705	\$ 45,367	64%	118%	83%



The following table presents disaggregated research and development expenses by cost classification for the periods presented:

(in thousands)	Year Ended December 31,		Change
	2020	2019	
Research and development materials and allocated production laboratory expenses	\$ 50,561	\$ 32,114	\$ 18,447
Personnel expenses	44,969	27,570	17,399
Allocable facilities and information technology expenses	5,277	3,510	1,767
Software and cloud services expenses	3,521	2,443	1,078
Depreciation and other expenses	11,744	5,068	6,676
Total	\$ 116,072	\$ 70,705	\$ 45,367

Research and development expenses were \$116.1 million for the year ended December 31, 2020, compared to \$70.7 million for the year ended December 31, 2019, representing an increase of \$45.4 million, or 64%. The increase was primarily attributable to an \$18.4 million increase in cost of materials and allocated production laboratory expenses, a \$17.4 million increase in personnel costs and a \$6.7 million increase in depreciation and other expenses. The increase in cost of materials and allocated production laboratory expenses was primarily related to supporting investments in our T-Detect and TCR-Antigen Map development and immune medicine platform, as well as our drug discovery efforts.

### Sales and Marketing

(in thousands, except percentages)	Year Ended December 31,		Change		Percent of Revenue	
	2020	2019	\$	%	2020	2019
Sales and marketing	\$ 61,358	\$ 38,453	\$ 22,905	60%	62%	45%

Sales and marketing expenses were \$61.4 million for the year ended December 31, 2020, compared to \$38.5 million for the year ended December 31, 2019, representing an increase of \$22.9 million, or approximately 60%. The increase was primarily attributable to \$14.5 million in additional personnel costs and \$8.7 million in additional marketing expenses. Our clonoSEQ marketing efforts were the largest driver of this \$8.7 million increase, followed by increased shared corporate marketing services and, to a lesser extent, additional marketing expenses related to T-Detect and life sciences research. These increases were partially offset by a \$1.9 million decrease in travel and customer event related expenses.

### General and Administrative

(in thousands, except percentages)	Year Ended December 31,		Change		Percent of Revenue	
	2020	2019	\$	%	2020	2019
General and administrative	\$ 49,536	\$ 30,332	\$ 19,204	63%	50%	36%

General and administrative expenses were \$49.5 million for the year ended December 31, 2020, compared to \$30.3 million for the year ended December 31, 2019, representing an increase of \$19.2 million, or 63%. The increase was primarily attributable to a \$10.9 million increase in personnel costs, a \$4.6 million increase in legal, accounting and tax fees and a \$2.3 million increase in insurance costs, both of which were largely due to the effect of operating as a public company for the full year ended December 31, 2020.

### Interest and Other Income, Net

(in thousands, except percentages)	Year Ended December 31,		Change	
	2020	2019	\$	%
Interest and other income, net	\$ 6,590	\$ 9,785	\$ (3,195)	(33)%

Interest and other income, net was \$6.6 million for the year ended December 31, 2020, compared to \$9.8 million for the year ended December 31, 2019, representing a decrease of \$3.2 million, or 33%. The decrease was primarily attributable to a \$5.6 million decrease in net interest income and investment amortization resulting from reductions in interest rates and related yields, partially offset by the \$2.3 million impact of revaluing a convertible preferred stock warrant liability in the year ended December 31, 2019.

## Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss adjusted for interest and other income, net, income tax (expense) benefit, depreciation and amortization and share-based compensation expenses.

Management uses Adjusted EBITDA to evaluate the financial performance of our business and the effectiveness of our business strategies. We present Adjusted EBITDA because we believe it is frequently used by analysts, investors and other interested parties to evaluate companies in our industry and it facilitates comparisons on a consistent basis across reporting periods. Further, we believe it is helpful in highlighting trends in our operating results because it excludes items that are not indicative of our core operating performance.

Adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. We may in the future incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. In particular, we expect to incur meaningful share-based compensation expense in the future. Other limitations include that Adjusted EBITDA does not reflect:

- all expenditures or future requirements for capital expenditures or contractual commitments;
- changes in our working capital needs;
- income tax (expense) benefit, which may be a necessary element of our costs and ability to operate;
- the costs of replacing the assets being depreciated and amortized, which will often have to be replaced in the future;
- the non-cash component of employee compensation expense; and
- the impact of earnings or charges resulting from matters we consider not to be reflective, on a recurring basis, of our ongoing operations.

In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

The following is a reconciliation of our net loss to Adjusted EBITDA for the periods presented (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (146,227)	\$ (68,606)	\$ (46,447)
Interest and other income, net	(6,590)	(9,785)	(3,309)
Depreciation and amortization expense	8,472	7,791	6,000
Share-based compensation expense (1)	24,761	13,124	11,149
Adjusted EBITDA	<u>\$ (119,584)</u>	<u>\$ (57,476)</u>	<u>\$ (32,607)</u>

(1) Represents share-based compensation expense related to option and restricted stock unit awards. See Note 13 to our financial statements included elsewhere in this Annual Report on Form 10-K for details on our share-based compensation expense.

## Liquidity and Capital Resources

We have incurred losses since inception and have incurred negative cash flows from operations from inception through December 31, 2018, and again in the year ended December 31, 2020. As of December 31, 2020, we had an accumulated deficit of \$511.6 million.

We have funded our operations to date principally from the sale of convertible preferred stock and common stock and, to a lesser extent, sequencing and development revenue. As of December 31, 2020, we had cash, cash equivalents and marketable securities of \$806.8 million.

We believe our existing cash, cash equivalents and marketable securities will be sufficient to fund our operating expenses and capital expenditure requirements through at least the next 12 months. We may consider raising additional capital to expand our business, to pursue strategic investments, to take advantage of financing opportunities or for other reasons. If our available cash, cash equivalents and marketable securities balances and anticipated cash flow from operations are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or convertible debt securities, enter into a credit facility or another form of third-party funding or seek other debt financing. The sale of equity and convertible debt securities may result in dilution to our shareholders and, in the case of preferred equity securities or convertible debt, those securities could provide for rights, preferences or privileges senior to those of our common stock. The terms of debt securities issued or borrowings pursuant to a credit agreement could impose significant restrictions on our operations. This additional capital may not be available on reasonable terms, or at all.

We plan to utilize the existing cash, cash equivalents and marketable securities on hand primarily to fund our commercial and marketing activities associated with our clinical products and services, continued research and development initiatives for our pipeline candidates and drug discovery initiatives and ongoing investments in our immune medicine platform. We also expect to make increased capital expenditures in the near term related to the expansion of our office and laboratory space and expect to increase investment in laboratory equipment and operations to support our anticipated growth. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to capital preservation and liquidity. Currently, our funds are held in money market funds and marketable securities consisting of U.S. government debt securities and corporate bonds.

Our contractual obligations as of December 31, 2020 include operating lease obligations of \$149.6 million, reflecting the minimum commitments for our office and laboratory spaces in Seattle, Washington and South San Francisco, California, a commitment to an office lease in New York City, New York and a commitment for server space in Seattle, Washington. See Note 10 to our financial statements included elsewhere in this Annual Report on Form 10-K for more information, including the timing of cash payments related to these lease obligations. Additionally, we have purchase commitments for cloud data storage through our collaboration with Microsoft, software and service license commitments, which are generally fulfilled within one to three years, royalty commitments and minimum commitments for laboratory material suppliers, which are generally fulfilled within one year. Furthermore, in connection with one of our lease agreements, we have an existing letter of credit of \$2.1 million with one of our existing financial institutions.

While we may experience reductions in our revenue in the near term as a result of the COVID-19 pandemic or otherwise, as long-term revenue from sales of our current and future products and services is expected to grow, we expect our accounts receivable and inventory balances to increase. Any increase in accounts receivable and inventory may not be completely offset by increases in accounts payable and accrued expenses, which could result in greater working capital requirements.

### **Cash Flows**

The following table summarizes our uses and sources of cash for the years ended December 31, 2020 and 2019 (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net cash (used in) provided by operating activities	\$ (149,683)	\$ 205,404
Net cash used in investing activities	(117,044)	(481,697)
Net cash provided by financing activities	293,587	319,916

### **Operating Activities**

Cash used in operating activities during the year ended December 31, 2020 was \$149.7 million, which was primarily attributable to a net loss of \$146.2 million and a net change in our operating assets and liabilities of \$40.8 million, which were partially offset by non-cash share-based compensation of \$24.8 million, non-cash depreciation and amortization of \$9.2 million and noncash lease expense of \$3.3 million. The net change in our operating assets and liabilities was primarily due to a \$43.4 million reduction in deferred revenue primarily related to revenue recognized from the Genentech Agreement, a \$5.0 million increase in inventory, a \$1.4 million increase in prepaid expenses and other current assets and a \$0.9 million decrease in operating lease liabilities. These changes were partially offset by an increase in accounts payable and accrued liabilities of \$7.5 million and a reduction in accounts receivable, net of \$2.6 million.

Cash provided by operating activities during the year ended December 31, 2019 was \$205.4 million, which was primarily attributable to a net change in our operating assets and liabilities of \$254.9 million, non-cash share-based compensation of \$13.1 million, non-cash depreciation and amortization of \$3.3 million and a \$2.3 million fair value adjustment of our convertible preferred stock warrant liability due to an increase in valuation of our common stock, partially offset by a net loss of \$68.6 million. The net change in our operating assets and liabilities reflects an increase in deferred revenue of \$266.9 million, primarily due to the \$300.0 million upfront payment by Genentech, and an increase in accounts payable and accrued liabilities of \$6.1 million, primarily due to increased headcount and the growth in operating expenditures and timing of vendor payments. These increases were partially offset by an increase in accounts receivable of \$7.8 million, primarily due to an increase in clinical billings, as well as an increase in revenue paid in arrears rather than upfront by biopharmaceutical customers, an increase in prepaid expenses and other current assets of \$8.6 million, primarily due to prepaid software, prepaid insurance and interest receivables, an increase in inventory of \$1.2 million to support growth in lab operations and \$0.6 million in security deposits.

### **Investing Activities**

Cash used in investing activities during the year ended December 31, 2020 was \$117.0 million, which was primarily attributable to purchases of marketable securities of \$695.0 million and purchases of property and equipment of \$18.8 million, partially offset by proceeds from sales and maturities of marketable securities of \$596.7 million.

Cash used in investing activities during the year ended December 31, 2019 was \$481.7 million, which was primarily attributable to purchases of marketable securities of \$884.2 million and purchases of property and equipment of \$11.2 million, partially offset by proceeds from maturities of marketable securities of \$413.7 million.

### ***Financing Activities***

Cash provided by financing activities during the year ended December 31, 2020 was \$293.6 million, which was primarily attributable to \$271.8 million in proceeds, after deducting underwriting discounts and net offering expenses paid by us, received from our underwritten public offering completed in July 2020, as well as \$21.7 million in proceeds from the exercise of stock options.

Cash provided by financing activities during the year ended December 31, 2019 was \$319.9 million, which was primarily attributable to proceeds from our initial public offering, net of underwriting discounts and commissions, of \$320.9 million and proceeds from the exercise of stock options of \$4.1 million, partially offset by payment of deferred initial public offering costs of \$5.0 million.

### **Net Operating Loss Carryforwards**

Utilization of our NOL carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code of 1986 (“Section 382”) and similar state provisions. The annual limitation may result in the expiration of NOL carryforwards and credits before utilization. If there should be an ownership change, our ability to utilize our NOL carryforwards and credits could be limited. We have completed a Section 382 analysis for changes in ownership through December 31, 2018 and an analysis is ongoing for ownership changes through December 31, 2020. Based on these analyses, we do not expect to have any permanent limitations on the utilization of our federal NOLs. Under the TCJA, federal net operating losses incurred in 2018 and future years may be carried forward indefinitely, but the deductibility of such federal NOL is subject to an annual limitation. Net operating losses generated prior to 2018 are eligible to be carried forward up to 20 years. Based on the available objective evidence, management determined that it was more likely than not that the net deferred tax assets would not be realizable as of December 31, 2020. Accordingly, management applied a full valuation allowance against net deferred tax assets as of December 31, 2020. In March 2020, under the newly enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), NOLs arising in tax years beginning after December 31, 2017 and before January 1, 2021 may be carried back to each of the five tax years preceding the tax year of the loss. Additionally, the CARES Act temporarily removes the 80% limitation, reinstating it for tax years beginning after 2020. However, none of these provisions have an impact on our tax provision.

### **Critical Accounting Policies and Estimates**

We have prepared our financial statements in accordance with GAAP. Our preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and related disclosures at the date of the financial statements, as well as revenue and expense recorded during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and or other relevant assumptions that we believe to be reasonable under the circumstances. Estimates are used in several areas, including, but not limited to, estimates of progress to date for certain performance obligations and transaction price for certain contracts with customers, share-based compensation, including the fair value of stock, the provision for income taxes, including related reserves, and goodwill, among others. These estimates generally involve complex issues and require judgments, involve the analysis of historical results and prediction of future trends, can require extended periods of time to resolve and are subject to change from period to period. Actual results may differ materially from management’s estimates.

While our significant accounting policies are described in more detail in Note 2 to our financial statements included elsewhere in this Annual Report on Form 10-K, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

#### ***Revenue Recognition***

Our development and sequencing revenue arrangements may include upfront payments for the performance of services in the future, which have both fixed and variable consideration. Non-refundable upfront fees and funding for related development services are generally considered fixed consideration, while milestone payments are identified as variable consideration.

In determining the appropriate amount of revenue to recognize as we fulfill our obligations under these agreements, we perform the following steps to determine the amount of revenue to be recognized: (1) identify the contract or contracts; (2) determine whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (3) measure the transaction price, including the constraint on variable consideration; (4) allocate the transaction price to the performance obligations based on estimated selling prices; and (5) recognize revenue when (or as) we satisfy each performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Accounting Standard Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. Our performance obligations include sequencing services and services associated with regulatory submission and approval processes. Significant management judgment is applied to determine (1) the measurement of the transaction price, including the constraint on variable consideration, (2) the allocation of the transaction price to the performance obligations and (3) the appropriate input or output based method to recognize revenue and the extent of progress to date.

We include the unconstrained amount of estimated variable consideration in the transaction price. The amount included in the transaction price is constrained to the amount for which it is probable that a significant reversal of cumulative revenue recognized will not occur. At the end of each subsequent reporting period, we re-evaluate the estimated variable consideration included in the transaction price and any related constraint and, if necessary, adjust our estimate of the overall transaction price.

To determine the allocation of the transaction price to the performance obligations, we apply the adjusted market assessment approach. Using this approach, we evaluate the market in which we sell the services and estimate the price that a customer in that market would be willing to pay for those services.

To select the measure of progress, we consider the expectations of the performance period which may be based on customer-dependent estimates of samples or internal estimates of the performance period based on both the customer and our expected development timeframes. For our collaboration with Genentech, we estimate the extent of progress using a proportional performance model that uses an input method based on costs incurred relative to the total estimated costs of research and development efforts to pursue both the Shared Product and Personalized Product pathways. These estimates are based on our internal estimates and development timeframes, which are subject to revision based on the potential outcomes for both product pathways, decisions made by Genentech, regulatory feedback or other factors not currently known. We regularly review our expectations of the extent of progress, including whether any variable consideration is no longer constrained, and, if any changes in estimates are made, we recognize revenue using the cumulative catch-up method.

### ***Share-Based Compensation***

We measure share-based compensation expense for stock options granted to our employees and non-employee directors on the date of grant and recognize the corresponding compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award.

We estimate the fair value of stock options granted to our employees and non-employee directors on the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the use of assumptions regarding a number of variables that are complex, subjective and generally require significant judgment to determine. The assumptions used to calculate the grant date fair value of our stock options were:

#### *Fair value of common stock*

Prior to the closing of our initial public offering, the fair value of our common stock issuable upon exercise of stock options was determined by our board of directors, with input from management and independent third-party valuations, as discussed in “—*Common Stock Valuations*” below. For valuations of option grants made after the closing of our initial public offering, our board of directors determines the fair value of each share of common stock based on the closing price of our common stock on the date of grant, or other relevant determination date, as reported on The Nasdaq Global Select Market.

#### *Expected term*

Our expected term represents the period that our stock options are expected to be outstanding. The expected term of options granted to employees and non-employee directors is determined using the “simplified” method, as illustrated in ASC Topic 718, *Compensation—Stock Compensation*, as we do not have sufficient exercise history to determine a better estimate of expected term. Under this approach, the expected term is based on the midpoint between the vesting date and the end of the contractual term of the option.

#### *Expected volatility*

As we do not have sufficient trading history for our common stock, the expected volatility is based on the historical volatility of our publicly traded industry peers utilizing a period of time consistent with our estimate of the expected term. The comparable companies are chosen based on their similar size, stage in the life cycle or area of specialty.

#### *Risk-free interest rate*

We utilize a risk-free interest rate in the option valuation model based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term of the options.

### Expected dividend yield

We do not anticipate paying any cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero in the option valuation model.

### Black-Scholes assumptions

The estimated grant date fair value of options granted during the periods presented was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31,		
	2020	2019	2018
Fair value of common stock	\$17.68 - \$55.23	\$7.80 - \$47.81	\$6.55
Expected term (in years)	5.27 - 6.08	5.27 - 6.08	6.08 - 10.00
Risk-free interest rate	0.4% - 1.7%	1.4% - 2.5%	2.6% - 3.0%
Expected volatility	70.5% - 73.3%	64.3% - 72.9%	65.0% - 69.2%
Expected dividend yield	—	—	—

We account for forfeitures as they occur, rather than estimate expected forfeitures over the vesting period of the respective grant.

We use judgment in evaluating the assumptions related to our share-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future share-based compensation expense. As of December 31, 2020, unrecognized share-based compensation expense related to unvested stock options was \$74.9 million, which was expected to be recognized over a remaining weighted-average period of 3.0 years.

### Common Stock Valuations

For periods prior to the closing of our initial public offering, the estimated fair value of the common stock issuable upon exercise of our stock options was determined by our board of directors, with input from management, considering our most recently available third-party valuations of common stock and our board of directors' assessment of additional objective and subjective factors that it believed were relevant, and factors that may have changed from the date of the most recent valuation through the date of the grant, which intended all options granted to be exercisable at a price per share not less than the fair market value per share of our common stock issuable upon exercise of those options on the date of grant. We believe our board of directors had the relevant experience and expertise to determine the fair value of our common stock. Prior to our initial public offering, given the absence of a public trading market for our common stock, the valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The assumptions we used in the valuation model were based on future expectations combined with management's judgment. In the absence of a public trading market, our board of directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant, including the following factors:

- independent valuations performed at periodic intervals by an independent third-party valuation firm;
- the prices, rights, preferences and privileges of our convertible preferred stock relative to our common stock;
- our operating and financial performance, forecasts and capital resources;
- current business conditions;
- the hiring of key personnel;
- our stage of commercialization;
- the status of research and development efforts;
- the likelihood of achieving a liquidity event for the shares of common stock issuable upon exercise of these stock options, such as an initial public offering or sale of our company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability for our common stock;
- trends and developments in our industry;
- the market performance of comparable publicly traded technology companies; and

- the U.S. and global economic and capital market conditions.

In valuing our common stock prior to the closing of our initial public offering, we utilized a hybrid methodology that includes a probability-weighted expected return method (“PWERM”) and an option pricing method (“OPM”), which is a highly complex and subjective valuation methodology. Under a PWERM, the fair market value of the common stock is estimated based upon an analysis of future values for the enterprise assuming various future outcomes. Within one of those potential outcomes, we utilized the OPM. The OPM treats the rights of the holders of convertible preferred stock and common stock as equivalent to that of call options on any value of the enterprise above certain break points of value based upon the liquidation preferences of the holders of preferred stock, as well as their rights to participation and conversion. Based on the timing and nature of an assumed liquidity event in each scenario, a discount for lack of marketability either was or was not applied to each scenario, as appropriate. We then probability-weighted the value of each expected outcome to arrive at an estimate of fair value per share of common stock.

For valuations after the closing of our initial public offering, our board of directors determines the fair value of each share of common stock based on the closing price of our common stock on the date of grant, or other relevant determination date, as reported on The Nasdaq Global Select Market.

### ***Goodwill***

Goodwill represents the excess of the purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. We assess goodwill for impairment annually on October 1 and upon any occurrence of triggering events or substantive changes in circumstances that could indicate a potential impairment.

We evaluate goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. We evaluate certain qualitative factors such as macroeconomic conditions, the market and industry in which we operate, cost factors, overall financial performance and other relevant entity-specific events to determine if there are any negative trends or events that could indicate impairment. Key assumptions in this analysis include anticipated demand for our products and services, including industry and regulatory changes, future revenue growth and cash, cash equivalents and marketable securities on hand. These assumptions are determined based on our historical performance and management’s forecasted results. Management’s estimates of forecasted results are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. If we determine that it is more likely than not that the fair value of our reporting unit is less than its carrying amount, or if we choose to bypass the qualitative assessment, we perform a quantitative goodwill impairment test. Goodwill impairment exists when the estimated fair value of our one reporting unit is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in our statements of operations. To date, we have not recognized any impairment of goodwill.

### ***Recent Accounting Pronouncements***

See Note 2 to our financial statements included elsewhere in this Annual Report on Form 10-K for more information.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### ***Interest Rate Risk***

We are exposed to market risk for changes in interest rates related primarily to our cash and cash equivalents and marketable securities. As of December 31, 2020 and 2019, we had cash and cash equivalents of \$123.4 million and \$96.6 million, respectively, held primarily in cash deposits and money market funds. As of December 31, 2020, we had short-term and long-term marketable securities of \$683.4 million, held in U.S. government debt securities and corporate bonds. As of December 31, 2019, we had short-term and long-term marketable securities of \$585.7 million, held in U.S. government debt securities, commercial paper and corporate bonds. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of interest rates in the United States. As of December 31, 2020, a hypothetical 100 basis point increase in interest rates would have resulted in a \$4.3 million decline of the fair value of our available-for-sale securities, as compared to an approximate \$3.0 million decline as of December 31, 2019. The additional decline of fair value in this hypothetical scenario is primarily due a larger investment balance as of December 31, 2020 compared to that as of December 31, 2019. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Such losses would only be realized if we sold the investments prior to maturity. We do not enter into investments for trading purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

**Item 8. Financial Statements and Supplementary Data**

**Adaptive Biotechnologies Corporation**  
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**As of December 31, 2020 and 2019 and**  
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Adaptive Biotechnologies Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of Adaptive Biotechnologies Corporation (the Company) as of December 31, 2020 and 2019, the related statements of operations, comprehensive loss, convertible preferred stock and shareholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Estimation of Total Expected Costs of Genentech Agreement***

#### *Description of the Matter*

As more fully described in Note 3 of the financial statements, Genentech Agreement revenue is estimated to be recognized over a period of seven to eight years from the effective date. The non-refundable upfront consideration of \$300.0 million is recognized using a proportional performance model through an input method based on costs incurred relative to the total estimated costs of research and development efforts. For the twelve months ended December 31, 2020, total revenue recorded totaled \$52.8 million and related deferred revenue totaled \$212.1 million.

Auditing management's estimate related to determining the total expected research and development costs at completion is complex and requires judgment as a result of the uncertainties of the ultimate progression of the customized product paths, timing and path of development and commercialization decisions, which are controlled by Genentech.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to estimate the total costs of research and development efforts for the collaboration based on evaluating the progress of the collaboration and the likely path of future development based on significant decisions made by Genentech communicated through the joint committees.

To test the estimate of total expected research and development costs, we performed audit procedures that included, among others, observing the quarterly meetings with accounting and the Company collaboration managers discussing the status of the collaboration and the future development for the customized product paths, investigating any changes to the development path. We reviewed supporting documentation to corroborate progress and status of the overall timeline, including meeting minutes from the joint committees.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015

Seattle, Washington

February 24, 2021

Adaptive Biotechnologies Corporation

Balance Sheets  
(in thousands, except share and per share amounts)

	December 31,	
	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 123,436	\$ 96,576
Short-term marketable securities (amortized cost of \$564,036 and \$479,791, respectively)	564,833	480,290
Accounts receivable, net	10,047	12,676
Inventory	14,063	9,069
Prepaid expenses and other current assets	14,535	14,079
Total current assets	<u>726,914</u>	<u>612,690</u>
Long-term assets		
Property and equipment, net	39,692	60,355
Operating lease right-of-use assets	99,350	—
Long-term marketable securities (amortized cost of \$118,429 and \$105,263, respectively)	118,525	105,435
Restricted cash	2,138	2,138
Intangible assets, net	10,225	11,928
Goodwill	118,972	118,972
Other assets	598	784
Total assets	<u>\$ 1,116,414</u>	<u>\$ 912,302</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	\$ 3,237	\$ 4,453
Accrued liabilities	13,162	4,371
Accrued compensation and benefits	11,950	8,124
Current portion of deferred rent	—	371
Current portion of operating lease liabilities	3,529	—
Current portion of deferred revenue	73,319	60,994
Total current liabilities	<u>105,197</u>	<u>78,313</u>
Long-term liabilities		
Deferred rent liability, less current portion	—	6,918
Operating lease liabilities, less current portion	104,333	—
Financing obligation	—	36,607
Deferred revenue, less current portion	163,618	219,332
Other long-term liabilities	—	93
Total liabilities	<u>373,148</u>	<u>341,263</u>
Commitments and contingencies (Note 11)		
Shareholders' equity		
Preferred stock: \$0.0001 par value, 10,000,000 shares authorized at December 31, 2020 and 2019; no shares issued and outstanding at December 31, 2020 and 2019	—	—
Common stock: \$0.0001 par value, 340,000,000 shares authorized at December 31, 2020 and 2019; 137,646,896 and 125,238,142 shares issued and outstanding at December 31, 2020 and 2019, respectively	14	12
Additional paid-in capital	1,253,971	935,834
Accumulated other comprehensive gain	893	671
Accumulated deficit	(511,612)	(365,478)
Total shareholders' equity	<u>743,266</u>	<u>571,039</u>
Total liabilities and shareholders' equity	<u>\$ 1,116,414</u>	<u>\$ 912,302</u>

The accompanying notes are an integral part of these financial statements.

**Statements of Operations**  
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2020	2019	2018
<b>Revenue</b>			
Sequencing revenue	\$ 41,439	\$ 43,519	\$ 32,978
Development revenue	56,943	41,552	22,685
Total revenue	<u>98,382</u>	<u>85,071</u>	<u>55,663</u>
<b>Operating expenses</b>			
Cost of revenue	22,530	22,274	19,668
Research and development	116,072	70,705	39,157
Sales and marketing	61,358	38,453	24,486
General and administrative	49,536	30,332	20,409
Amortization of intangible assets	1,703	1,698	1,699
Total operating expenses	<u>251,199</u>	<u>163,462</u>	<u>105,419</u>
Loss from operations	(152,817)	(78,391)	(49,756)
Interest and other income, net	6,590	9,785	3,309
Net loss	(146,227)	(68,606)	(46,447)
Fair value adjustment to Series E-1 convertible preferred stock options	—	(964)	102
Net loss attributable to common shareholders	<u>\$ (146,227)</u>	<u>\$ (69,570)</u>	<u>\$ (46,345)</u>
Net loss per share attributable to common shareholders, basic and diluted	<u>\$ (1.11)</u>	<u>\$ (1.01)</u>	<u>\$ (3.67)</u>
Weighted-average shares used in computing net loss per share attributable to common shareholders, basic and diluted	<u>131,216,468</u>	<u>69,165,315</u>	<u>12,629,778</u>

The accompanying notes are an integral part of these financial statements.

**Adaptive Biotechnologies Corporation****Statements of Comprehensive Loss**  
**(in thousands)**

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (146,227)	\$ (68,606)	\$ (46,447)
Change in unrealized gain (loss) on investments	222	778	59
Comprehensive loss	<u>\$ (146,005)</u>	<u>\$ (67,828)</u>	<u>\$ (46,388)</u>

The accompanying notes are an integral part of these financial statements.

Adaptive Biotechnologies Corporation

Statements of Convertible Preferred Stock and Shareholders' (Deficit) Equity  
(in thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Gain	Accumulated Deficit	Total Shareholders' (Deficit) Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2017</b>	92,656,029	\$ 561,333	12,208,731	\$ 1	\$ 24,972	\$ (166)	\$ (249,423)	\$ (224,616)
Adjustments to accumulated deficit for adoption of guidance on accounting for share-based payment transactions	—	—	—	—	140	—	(140)	—
Issuance of common stock for cash upon exercise of stock options	—	—	632,805	—	1,168	—	—	1,168
Issuance of Series E-1 convertible preferred stock for cash upon exercise of Series E-1 convertible preferred stock options at fair value	134,065	100	—	—	—	—	—	—
Vested Series E-1 convertible preferred stock option forfeitures	—	(767)	—	—	476	—	291	767
Series E-1 convertible preferred stock option share-based compensation	—	—	—	—	3	—	—	3
Adjustment to redemption value for vested Series E-1 convertible preferred stock options	—	3	—	—	(3)	—	—	(3)
Change in redemption value for vested Series E-1 convertible preferred stock options	—	189	—	—	—	—	(189)	(189)
Common stock option share-based compensation	—	—	—	—	11,146	—	—	11,146
Other comprehensive income	—	—	—	—	—	59	—	59
Net loss	—	—	—	—	—	—	(46,447)	(46,447)
<b>Balance at December 31, 2018</b>	<u>92,790,094</u>	<u>\$ 560,858</u>	<u>12,841,536</u>	<u>\$ 1</u>	<u>\$ 37,902</u>	<u>\$ (107)</u>	<u>\$ (295,908)</u>	<u>\$ (258,112)</u>
Proceeds from initial public offering, net of underwriters' discounts and commissions	—	—	17,250,000	2	320,848	—	—	320,850
Initial public offering costs	—	—	—	—	(4,986)	—	—	(4,986)
Conversion of convertible preferred stock to common stock	(93,039,737)	(561,931)	93,039,737	9	561,922	—	—	561,931
Conversion of convertible preferred stock warrant to common stock warrant	—	—	—	—	2,602	—	—	2,602
Issuance of common stock upon exercise of common stock warrants	—	—	54,792	—	9	—	—	9
Issuance of common stock for cash upon exercise of stock options	—	—	2,043,767	—	4,413	—	—	4,413
Issuance of Series E-1 convertible preferred stock for cash upon exercise of Series E-1 convertible preferred stock options at fair value	249,643	109	—	—	—	—	—	—
Vesting of restricted stock units	—	—	8,310	—	—	—	—	—
Change in redemption value for vested Series E-1 convertible preferred stock options	—	964	—	—	—	—	(964)	(964)
Common stock option and restricted stock unit share-based compensation	—	—	—	—	13,124	—	—	13,124
Other comprehensive income	—	—	—	—	—	778	—	778
Net loss	—	—	—	—	—	—	(68,606)	(68,606)
<b>Balance at December 31, 2019</b>	<u>—</u>	<u>\$ —</u>	<u>125,238,142</u>	<u>\$ 12</u>	<u>\$ 935,834</u>	<u>\$ 671</u>	<u>\$ (365,478)</u>	<u>\$ 571,039</u>
Issuance of common stock upon public offering, after deducting underwriters' discounts and net offering costs paid by us	—	—	7,200,000	1	271,838	—	—	271,839
Adjustments to accumulated deficit for adoption of guidance on accounting for leases	—	—	—	—	—	—	93	93
Issuance of common stock for cash upon exercise of stock options	—	—	5,204,254	1	21,538	—	—	21,539
Vesting of restricted stock units	—	—	4,500	—	—	—	—	—
Common stock option and restricted stock unit share-based compensation	—	—	—	—	24,761	—	—	24,761
Other comprehensive income	—	—	—	—	—	222	—	222
Net loss	—	—	—	—	—	—	(146,227)	(146,227)
<b>Balance at December 31, 2020</b>	<u>—</u>	<u>\$ —</u>	<u>137,646,896</u>	<u>\$ 14</u>	<u>\$ 1,253,971</u>	<u>\$ 893</u>	<u>\$ (511,612)</u>	<u>\$ 743,266</u>

The accompanying notes are an integral part of these financial statements.

**Statements of Cash Flows**  
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
<b>Operating activities</b>			
Net loss	\$ (146,227)	\$ (68,606)	\$ (46,447)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation expense	6,769	6,093	4,301
Noncash lease expense	3,266	—	—
Share-based compensation expense	24,761	13,124	11,149
Intangible assets amortization	1,703	1,698	1,699
Investment amortization	773	(4,463)	(1,214)
Fair value adjustment of convertible preferred stock warrant	—	2,266	(6)
Other	71	359	(18)
Changes in operating assets and liabilities:			
Accounts receivable, net	2,613	(7,817)	775
Inventory	(4,994)	(1,231)	(3,046)
Prepaid expenses and other current assets	(1,362)	(8,576)	(318)
Accounts payable and accrued liabilities	7,495	6,149	2,185
Deferred rent	—	78	(488)
Operating lease liabilities	(886)	—	—
Deferred revenue	(43,389)	266,927	(649)
Other	(276)	(597)	(182)
Net cash (used in) provided by operating activities	<u>(149,683)</u>	<u>205,404</u>	<u>(32,259)</u>
<b>Investing activities</b>			
Purchases of property and equipment	(18,803)	(11,200)	(6,299)
Purchases of marketable securities	(694,965)	(884,217)	(146,503)
Proceeds from sales and maturities of marketable securities	596,724	413,720	153,538
Net cash (used in) provided by investing activities	<u>(117,044)</u>	<u>(481,697)</u>	<u>736</u>
<b>Financing activities</b>			
Proceeds from exercise of stock options	21,748	4,055	1,268
Proceeds from public offering of common stock, net of underwriting discounts and commissions	272,160	320,850	—
Payment of public offering costs, net	(321)	(4,986)	—
Proceeds from issuance of common stock upon the exercise of a common stock warrant	—	9	—
Other	—	(12)	(20)
Net cash provided by financing activities	<u>293,587</u>	<u>319,916</u>	<u>1,248</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	26,860	43,623	(30,275)
Cash, cash equivalents and restricted cash at beginning of year	98,714	55,091	85,366
Cash, cash equivalents and restricted cash at end of year	<u>\$ 125,574</u>	<u>\$ 98,714</u>	<u>\$ 55,091</u>
<b>Noncash investing and financing activities</b>			
Purchases of equipment included in accounts payable and accrued liabilities	\$ 4,679	\$ 773	\$ 832
Landlord-funded leasehold improvements	\$ —	\$ —	\$ 2,419
Noncash additions to property through lease financing arrangements	\$ —	\$ 36,607	\$ —
Derecognition of lease financing arrangements upon adoption of guidance on accounting for leases	\$ 36,607	\$ —	\$ —
Conversion of convertible preferred stock to common stock upon closing of initial public offering	\$ —	\$ 561,931	\$ —
Conversion of convertible preferred stock warrant to common stock warrant upon closing of initial public offering	\$ —	\$ 2,602	\$ —

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

**1. Organization and Description of Business**

Adaptive Biotechnologies Corporation (“we,” “us” or “our”) is a commercial-stage company advancing the field of immune medicine by harnessing the inherent biology of the adaptive immune system to transform the diagnosis and treatment of disease. We believe the adaptive immune system is nature’s most finely tuned diagnostic and therapeutic for most diseases, but the inability to decode it has prevented the medical community from fully leveraging its capabilities. Our immune medicine platform applies our proprietary technologies to read the diverse genetic code of a patient’s immune system and aims to understand precisely how the immune system detects and treats disease in that patient. We capture these insights in our dynamic clinical immunomics database, which is underpinned by computational biology and machine learning, and use them to develop and commercialize clinical products and services that we are tailoring to each individual patient. We have commercial products and services and a robust pipeline of clinical products and services that we are designing to diagnose, monitor and enable the treatment of diseases, such as cancer, autoimmune conditions and infectious diseases.

We were incorporated in the State of Washington on September 8, 2009 under the name Adaptive TCR Corporation. On December 21, 2011, we changed our name to Adaptive Biotechnologies Corporation. We are headquartered in Seattle, Washington.

**Initial Public Offering**

Our registration statement on Form S-1 related to our initial public offering was declared effective on June 26, 2019 and our common stock began trading on the Nasdaq Global Select Market on June 27, 2019. On July 1, 2019, we completed our initial public offering in which we issued and sold 17,250,000 shares of common stock, including shares issued upon the exercise in full of the underwriters’ over-allotment option, at a public offering price of \$20.00 per share. We received \$315.9 million in net proceeds, after deducting underwriting discounts and commissions of \$24.1 million and offering expenses of \$5.0 million.

**Follow-On Offering**

In July 2020, we completed an underwritten public offering of our common stock in which we issued and sold 7,200,000 shares of common stock, including shares issued upon the exercise in full of the underwriters’ over-allotment option, at a public offering price of \$40.00 per share. We received \$271.8 million in net proceeds, after deducting underwriting discounts and net offering expenses paid by us.

**2. Significant Accounting Policies****Basis of Presentation and Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. We base our estimates on historical experience and other relevant assumptions that we believe to be reasonable under the circumstances. Estimates are used in several areas including, but not limited to, estimates of progress to date for certain performance obligations and the transaction price for certain contracts with customers, share-based compensation, including the fair value of stock, the provision for income taxes, including related reserves, and goodwill, among others. These estimates generally involve complex issues and require judgments, involve the analysis of historical results and prediction of future trends, can require extended periods of time to resolve and are subject to change from period to period. Actual results may differ materially from management’s estimates.

**JOBS Act Accounting Election**

Effective December 31, 2020, we are no longer an “emerging growth company” within the meaning of the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). The JOBS Act allows an emerging growth company to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. Prior to December 31, 2020, we had elected to use this extended transition period and, as a result, our financial statements may not be comparable to companies that comply with public company effective dates. We can no longer take advantage of this extended transition period.



**Cash and Cash Equivalents**

Cash and cash equivalents are stated at fair value. Cash equivalents include only securities having an original maturity of three months or less at the time of purchase. We limit our credit risk associated with cash and cash equivalents by placing our investments with banks that we believe are highly creditworthy and with highly rated money market funds. Cash and cash equivalents primarily consist of bank deposits and investments in money market funds.

**Restricted Cash**

We are required to maintain certain balances under lease arrangements for some of our property and facility leases. We had restricted cash of \$2.1 million as of December 31, 2020 and 2019.

**Investments in Marketable Securities**

Marketable securities are classified as available-for-sale, primarily consist of U.S. government debt securities, commercial paper and corporate bonds and are reported at fair value. Unrealized holding gains and losses are reflected as a separate component of shareholders' (deficit) equity in accumulated other comprehensive (loss) gain until realized. Realized gains and losses on the sale of these securities are recognized in net income or loss. The cost of marketable securities sold is based on the specific identification method.

**Concentrations of Risk**

We are subject to a concentration of risk from a limited number of suppliers, or in some cases, single suppliers for some of our laboratory instruments and materials. This risk is managed by targeting a quantity of surplus stock.

Cash, cash equivalents and marketable securities are financial instruments that potentially subject us to concentrations of credit risk. We invest in money market funds, U.S. government debt securities, U.S. government agency securities, commercial paper and corporate bonds with high-quality accredited financial institutions.

Significant customers are those that represent more than 10% of our total revenue or accounts receivable, net balances for the periods and as of each balance sheet date presented, respectively. Revenue from these customers reflects their purchase of our products and services and our collaboration efforts with Genentech.

For each significant customer, revenue as a percentage of total revenue for the periods presented and accounts receivable, net as a percentage of total accounts receivable, net as of the dates presented were as follows:

	Revenue			Accounts Receivable, Net	
	Year Ended December 31,			December 31,	
	2020	2019	2018	2020	2019
Customer A	*%	13.9%	18.4%	19.1%	41.8%
Customer B	*	*	13.5	12.2	*
Customer C	*	*	15.4	*	*
Genentech, Inc. and Roche Group	55.8	42.1	*	*	*

\* less than 10%

**Accounts Receivable**

Accounts receivable consists of amounts due from customers for services performed. We review our accounts receivable for credit impairment and regularly analyze the status of significant past due receivables to determine if any will potentially be uncollectible to estimate the amount of allowance necessary to reduce accounts receivable to its estimated net realizable value.

Additionally, we had \$0.9 million and \$2.4 million of unbilled receivables as of December 31, 2020 and 2019, respectively. The unbilled receivables are amounts that will become due for which we have an unconditional right to consideration.

**Inventory**

Inventory consists of laboratory materials and supplies used in lab analysis. We capitalize inventory when purchased and record expense upon order fulfillment for servicing revenue or utilization in our research and development laboratories. Inventory is valued at the lower of cost or market on a first-in, first-out basis. We periodically perform obsolescence assessments and write off any inventory that is no longer usable.

### **Property and Equipment**

Property and equipment consists of computer equipment, computer software, laboratory equipment, leasehold improvements and furniture and office equipment. Property and equipment are recorded at cost and depreciation is recognized using the straight-line method based on estimated useful life. Maintenance and repairs are charged to expense as incurred and costs of improvements are capitalized.

Useful lives assigned to property and equipment are as follows:

Laboratory equipment	3 years to 7 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term
Computer equipment and software	3 years
Furniture and office equipment	5 years to 10 years

We review long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable. Gains and losses from asset disposals and impairment losses are classified within our statements of operations in accordance with the use of the asset.

### **Goodwill**

Goodwill represents the excess of the purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. We assess goodwill for impairment annually on October 1, or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. We evaluate goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying amount. If we so determine, or if we choose to bypass the qualitative assessment, we perform a quantitative goodwill impairment test. Goodwill impairment exists when the estimated fair value of our one reporting unit is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in our statements of operations. To date, we have not recognized any impairment of goodwill.

### **Intangible Assets**

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date, which is regarded as their cost.

Intangible assets may also result from the purchase of assets and intellectual property in a transaction that does not qualify as a business combination. Intangible assets are amortized over their estimated useful lives on a straight-line basis which approximates their usage pattern. Intangible assets are reviewed for impairment at least annually or if indicators of potential impairment exist. We have not recognized any impairment losses on intangible assets.

### **Leases**

We determine if an arrangement contains a lease at inception. We have operating lease agreements for the laboratory and office facilities that we occupy, as well as server space. Operating lease right-of-use (“ROU”) assets and operating lease liabilities are recognized at the date the underlying asset becomes available for our use and are based on the present value of the future minimum lease payments over the lease term. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. As our leases generally do not provide an implicit interest rate, the present value of our future minimum lease payments is determined using our incremental borrowing rate. This rate is an estimate of the collateralized borrowing rate we would incur on our future lease payments over a similar term and is based on the information available to us at the lease commencement date, or as of January 1, 2020 for commenced leases that existed as of our adoption of the new lease standard, discussed in more detail below.

Certain of our leases contain options to extend or terminate the lease; lease terms are adjusted for these options only when it is reasonably certain we will exercise these options. Our lease agreements do not contain residual value guarantees or covenants.

We have made a policy election regarding our real estate leases not to separate nonlease components from lease components, to the extent they are fixed. Nonlease components that are not fixed are expensed as incurred as variable lease expense. Our leases for laboratory and office facilities typically include variable nonlease components, such as common-area maintenance costs. We have also elected not to record on the balance sheet a lease that has a lease term of twelve months or less and does not contain a purchase option that we are reasonably certain to exercise.

Lease expense is recognized on a straight-line basis over the terms of the leases. Incentives granted under our facilities leases, including rent holidays, are recognized as adjustments to lease expense on a straight-line basis over the terms of the leases.

### *Lease Financing Arrangements*

In 2019, due to our significant involvement during the construction process of a leased building, we qualified as the deemed owner of the building under build-to-suit lease accounting guidance. Prior to our adoption of the new lease standard, the cost of the related building was recorded in property and equipment, net and the offsetting lease financing obligation was recorded as a long-term financing obligation on our balance sheet. As of December 31, 2019, \$36.6 million of building costs was recorded in property and equipment, net.

### *Fair Value of Financial Instruments*

The Financial Accounting Standards Board (“FASB”) has defined fair value as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for that asset or liability in an orderly transaction between market participants on the measurement date. The FASB established a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. The hierarchy defines three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

A financial instrument categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Our financial instruments consist of Level 1 and Level 2 assets and has included Level 3 liabilities in the past. In certain cases, where there is limited activity or less transparency around inputs to valuation, financial instruments are classified as Level 3 within the valuation hierarchy. The carrying amounts of certain financial instruments approximate fair value due to their short maturities.

We did not have any nonfinancial assets or liabilities that were measured or disclosed at fair value on a recurring basis as of December 31, 2020 or 2019.

### *Convertible Preferred Stock Warrant Liability*

We had issued a freestanding warrant to a venture capital firm to purchase 56,875 shares of Series C convertible preferred stock with an exercise price of \$2.64 in connection with a \$5.0 million credit facility entered into in 2014. Immediately prior to and in connection with the completion of our initial public offering, the convertible preferred stock warrant converted to a common stock warrant.

Prior to the conversion, the fair value of this warrant was classified as a non-current liability in the balance sheets, since the underlying convertible preferred stock had been classified as temporary equity instead of shareholders’ deficit in accordance with authoritative guidance for the classification and measurement of potentially redeemable securities. Upon certain change in control events that were outside of our control, including liquidation, sale or transfer of control, holders of the convertible preferred stock may have caused its redemption. Prior to conversion, the warrant was subject to remeasurement at each balance sheet date, with changes in estimated fair value recognized as a component of interest and other income, net on our statements of operations. During the year ended December 31, 2019, we recognized \$2.3 million of expense related to the revaluation of the convertible preferred stock warrant liability in the interest and other income, net line item on our statements of operations.

When the convertible preferred stock warrant converted to a common stock warrant immediately prior to and in connection with the completion of the initial public offering, the \$2.6 million financial liability was reclassified to the additional paid-in capital line item on our balance sheet, thereby concluding the need for revaluation.

### *Revenue Recognition*

We recognize revenue in accordance with ASC Topic 606 (“ASC 606”), *Revenue from Contracts with Customers*. Under ASC 606, for all revenue-generating contracts, we perform the following steps to determine the amount of revenue to be recognized: (1) identify the contract or contracts; (2) determine whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (3) measure the transaction price, including the constraint on variable consideration; (4) allocate the transaction price to the performance obligations based on estimated selling prices; and (5) recognize revenue when (or as) we satisfy each performance obligation. The following is a summary of the application of the respective model to each of our revenue classifications.

## Overview

Our revenue is generated from immunosequencing (“sequencing”) products and services (“sequencing revenue”) and from regulatory or development support services leveraging our immune medicine platform (“development revenue”). When revenue generating contracts have elements of both sequencing revenue and development revenue, we classify revenue based on the nature of the performance obligation and the allocated transaction price.

## Sequencing Revenue

Sequencing revenue reflects the amounts generated from providing sequencing services and testing through our clonoSEQ and immunoSEQ products and services to our clinical and research customers, respectively.

For clinical customers, we derive revenues from providing our clonoSEQ test report to ordering physicians, and we bill and receive payments from medical institutions and commercial and government third-party payors. In these transactions, we have identified one performance obligation: the delivery of a clonoSEQ report. As payment from the respective payors may vary based on the various reimbursement rates and patient responsibilities, we consider the transaction price to be variable and record an estimate of the transaction price, subject to the constraint for variable consideration, as revenue at the time of delivery. The estimate of transaction price is based on historical and expected reimbursement rates with the various payors, which are monitored in subsequent periods and adjusted as necessary based on actual collection experience.

For our clonoSEQ coverage under Medicare, we bill an episode of treatment when we deliver the first eligible test results. This billing contemplates all necessary tests required during a patient’s treatment cycle, which is currently estimated at approximately four tests per patient, including the initial sequence identification test. Revenue recognition commences at the time the initial billable test result is delivered and is based upon cumulative tests delivered to date. We estimate the number of tests we expect to deliver over a patient’s treatment cycle based on historical testing frequencies for patients by indication. These estimates are subject to change as we develop more information about utilization over time. Any unrecognized revenue from the initial billable test is recorded as deferred revenue and is recognized as we deliver the remaining tests in a patient’s treatment cycle or when it becomes remote that a patient will receive additional testing and we have not delivered our estimate of total tests.

For research customers, contracts typically include an amount billed in advance of services (“upfront”) and subsequent billings as sample results are delivered to the customer. Upfront amounts received are recorded as deferred revenue, which we recognize as revenue upon satisfaction of performance obligations. We have identified two typical performance obligations under the terms of our research service contracts: sequencing services and related data analysis. We recognize revenue for both identified performance obligations as sample results are delivered to the customer.

## Development Revenue

We derive revenue by providing services through development agreements to biopharmaceutical customers who seek access to our immune medicine platform technologies. We generate revenues from the delivery of professional support activities pertaining to the use of immunoSEQ and our MRD product in the development of the respective customers’ initiatives. The transaction price for these contracts may consist of a combination of non-refundable upfront fees, separately priced sequencing fees, progress-based milestones and regulatory milestones. The development agreements may include single or multiple performance obligations, depending on the contract. For certain contracts, we may perform services to support the biopharmaceutical customers’ regulatory submissions as part of their registrational trials. These services include regulatory support pertaining to our technology intended to be utilized as part of the submission, development of analytical plans for our sequencing data, participation on joint research committees and assistance in completing a regulatory submission. Generally, these services are not distinct within the context of the contract and they are accounted for as a single performance obligation.

When sequencing services are separately priced customer options, we assess if a material right exists and, if not, the customer option to purchase additional sequencing services is not considered part of the contract. Except for any non-refundable upfront fees, the other forms of compensation represent variable consideration. Variable consideration related to progress-based and regulatory milestones is estimated using the most likely amount method, where variable consideration is constrained until it is probable that a significant reversal of cumulative revenue recognized will not occur. Progress milestones, such as the first sample result delivered or final patient enrollment in a customer trial, are customer dependent and are included in the transaction price when the respective milestone is probable of occurring. Milestone payments that are not within our customers’ control, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. Determining whether regulatory milestone payments are probable is an area that requires significant judgment. In making this assessment, we evaluate scientific, clinical, regulatory and other risks, as well as the level of effort and investment required to achieve the respective milestone.

The primary method used to estimate standalone selling price for performance obligations is the adjusted market assessment approach. Using this approach, we evaluate the market in which we sell our services and estimate the price that a customer in that market would be willing to pay for our services. We recognize revenue using either an input or output measure of progress that faithfully depicts performance on a contract, depending on the contract. The measure used is dependent on the nature of the service to be provided in each contract. Selecting the measure of progress and estimating progress to date requires significant judgment.

#### ***Contract Balances***

In certain circumstances, billing may occur prior to services being performed. Upfront payments are recorded as deferred revenue, contract liabilities. We classify deferred revenue as current for sequencing revenue, as we expect our performance obligations will be completed within the next twelve months; however, we do not control the timing of customer provided samples. For development services, we assess the performance obligations and recognize deferred revenue as current or non-current based upon forecasted delivery times, which are customer coordinated. In certain circumstances, the customer project may be cancelled or terminated prior to the delivery of all related services covered by a customer's upfront payment. In these circumstances, we recognize revenue when sufficient evidence is obtained that a reversal of revenue is not probable.

#### ***Share-Based Compensation***

Share-based compensation includes compensation expense for stock option and restricted stock unit grants to employees and non-employees. It represents the grant date fair value of the grants and is recognized over the requisite service period of the awards, usually the vesting period, on a straight-line basis, net of actual forfeitures. We estimate the grant date fair value of stock option grants using the Black-Scholes option-pricing model.

#### ***Advertising***

Advertising costs are expensed as incurred. Advertising expenses were \$14.5 million, \$6.6 million and \$3.5 million for the year ended December 31, 2020, 2019 and 2018, respectively.

#### ***Cost of Revenue***

Cost of revenue includes the cost of materials, personnel-related expenses (comprised of salaries, benefits and share-based compensation), shipping and handling, equipment and allocated facility costs associated with processing samples and professional support for our sequencing revenue. Allocated facility costs include depreciation of laboratory equipment, allocated facility occupancy and information technology costs. Costs associated with processing samples are recorded as expense, regardless of the timing of revenue recognition.

#### ***Research and Development Expenses***

Research and development expenses are comprised of laboratory materials costs, personnel-related expenses, equipment costs, allocated facility costs, information technology expenses and contract service expenses. We also include in research and development expenses the costs associated with software development of applications to support future commercial opportunities, as well as development activities to support laboratory scaling and workflow. Research and development costs are expensed as incurred. Upfront payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized, then are recognized as an expense as the goods are consumed or the related services are performed. Costs to support our Genentech Agreement are a component of our research and development activities.

#### ***Sales and Marketing Expenses***

Sales and marketing expenses consist primarily of personnel-related expenses for commercial sales, account management, marketing, reimbursement, medical education and business development personnel that support commercialization of our platform products. In addition, these expenses include external costs such as advertising expenses, customer education and promotional expenses, market analysis expenses, conference fees, travel expenses and allocated facility costs.

### **Income Taxes**

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and the operating loss and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Deferred tax assets and liabilities are measured at the balance sheet date using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period such tax rate changes are enacted. Our net deferred tax assets are fully offset by a valuation allowance, because of our history of losses.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained upon examination.

### **Net Loss Per Share Attributable to Common Shareholders**

We calculate basic net loss per share attributable to common shareholders by dividing the net loss attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period. The diluted net loss per share attributable to common shareholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period determined using the treasury stock method. For purposes of this calculation, common stock warrants, stock options and nonvested restricted stock units are considered common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common shareholders, as their effect is anti-dilutive.

Prior to the closing of our initial public offering in July 2019 and the related conversion of our convertible preferred stock into common stock, we calculated our basic and diluted net loss per share attributable to common shareholders in conformity with the two-class method required for companies with participating securities. We considered our convertible preferred stock to be participating securities. In the event a dividend had been declared or paid on common stock, holders of convertible preferred stock would have been entitled to a share of such dividend in proportion to the holders of common stock on an as-if converted basis. Under the two-class method, basic net loss per share attributable to common shareholders is calculated by dividing the net loss attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period. Net loss attributable to common shareholders is determined by allocating undistributed earnings between common and preferred shareholders. The net loss attributable to common shareholders was not allocated to the convertible preferred stock under the two-class method, as the convertible preferred stock did not have a contractual obligation to share in our losses. The diluted net loss per share attributable to common shareholders was computed by giving effect to all potential dilutive common stock equivalents outstanding for the period determined using the treasury stock method. For purposes of this calculation, convertible preferred stock, convertible preferred stock warrants, common stock warrants and stock options were considered common stock equivalents but were excluded from the calculation of diluted net loss per share attributable to common shareholders, as their effect was anti-dilutive.

### **Segment Information**

We have determined that our chief executive officer is the chief operating decision maker (“CODM”). The CODM reviews financial information presented on a regular basis at the entity level. Resource allocation decisions are made by the CODM based on the results at the entity level, which is determined to be a single reporting unit. There are no segment managers who are held accountable by the CODM for operations, operating results or planning for levels or components below the entity. As such, we have concluded that we operate as one segment. We present disaggregated revenue from contracts with customers by type of service. See Note 3, Revenue.

### **Recently Adopted Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASC 842”), intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. We adopted the guidance effective January 1, 2020 using the optional transition method described in ASU 2018-11, *Leases (Topic 842) Targeted Improvements*. Under the optional transition method, we recognized a cumulative-effect adjustment in the period of adoption. Prior period amounts were not adjusted and continue to be reported in accordance with the previous accounting under ASC 840, *Leases* (“ASC 840”).

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

In adopting the new standard, we utilized certain practical expedients available. These practical expedients include waiving reassessment of (1) whether any expired or existing contracts are or contain leases; (2) lease classification of expired or existing leases; and (3) initial direct costs for existing leases. We also elected to use hindsight in determining the lease term and in assessing impairment of our ROU assets. Furthermore, we have made a policy decision regarding our real estate leases not to separate nonlease components from lease components, to the extent they are fixed. We have also elected not to record on the balance sheet a lease that has a lease term of twelve months or less and does not contain a purchase option that we are reasonably certain to exercise.

The standard had a material impact on our balance sheet as of December 31, 2020, but did not have a material impact on our statements of operations or statements of cash flows. The most significant impact was the recognition of \$33.0 million and \$39.7 million of operating lease ROU assets and liabilities, respectively, and the derecognition of a \$36.6 million asset and corresponding liability previously recorded pursuant to build-to-suit lease accounting guidance under ASC 840, which resulted in an increase to retained earnings of \$0.1 million. The operating lease ROU assets and liabilities recorded at adoption included the derecognition of \$7.3 million of deferred rent recognized as of December 31, 2019, as well as a \$0.5 million reclassification of tenant incentive receivables previously recognized in the prepaid expenses and other current assets line item on our balance sheet. See Note 10, Leases, for additional information regarding leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The expected credit losses are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, and the net carrying value of the financial asset is presented on the balance sheet. The guidance also amends the previous other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account, limited to the difference between a security's amortized cost basis and its fair value. Furthermore, the standard update removes the distinction between whether an impairment is temporary or other-than temporary. We adopted the guidance effective January 1, 2020. Given the short-term nature of our accounts receivable, the adoption as it relates to trade receivables did not have a significant impact on our financial statements. Furthermore, impairment of available-for-sale debt securities as of the adoption date was determined to be due to factors other than credit loss; therefore, a credit allowance was not recognized.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other: Internal-Use Software (Subtopic 350-40)* to provide additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement. We adopted this guidance effective January 1, 2020 on a prospective basis, and the adoption did not have any impact on our financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which eliminates certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. Among other things, this guidance also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied prospectively, except for certain amendments. We early adopted the guidance on January 1, 2020 and the adoption did not have a material impact on our financial statements.

### 3. Revenue

We disaggregate our revenue from contracts with customers by type of service, as we believe this best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following table presents our revenue disaggregated by type of products and services for the periods presented (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Sequencing revenue	\$ 41,439	\$ 43,519	\$ 32,978
Development revenue			
Development support	54,443	39,552	12,685
Regulatory milestones	2,500	2,000	10,000
Total development revenue	56,943	41,552	22,685
Total revenue	<u>\$ 98,382</u>	<u>\$ 85,071</u>	<u>\$ 55,663</u>



### ***Translational Development Agreement***

In December 2015, we entered into a translational development agreement with a biopharmaceutical customer for access to certain of our oncology immunosequencing research datasets, including full-time employee support, to accelerate the customer's preclinical, nonclinical and clinical trial testing. Under the initial terms of the agreement, we could have been entitled to up to \$40.0 million over a period of four years, which did not include any separately negotiated research sequencing contracts. If the biopharmaceutical customer terminated the agreement prior to the end of the initial four-year research term for any reason other than a material uncured breach by us, then the biopharmaceutical partner agreed to pay us \$0.8 million. In May 2019, the agreement was subsequently amended to reduce the services provided, which in turn reduced the fourth year of eligible payments to \$2.3 million.

We identified one performance obligation under this agreement, as the services were determined to be highly interrelated. We determined that any separately negotiated sequencing contracts are not performance obligations under the contract, as the contract did not contain any material rights related to such sequencing contracts. For the identified performance obligation, we assessed the work to be performed over the duration of the contract and determined that it was a consistent level of support throughout the period, and therefore, revenue was recognized on a straight-line basis over the contract term.

Revenue recognized from this translational development agreement, excluding separately negotiated research sequencing contracts, was \$2.3 million and \$9.3 million during the year ended December 31, 2019 and 2018, respectively.

### ***MRD Development Agreements***

We have entered into agreements with biopharmaceutical customers to further develop and commercialize our MRD product and the biopharmaceutical customers' therapeutics. Under each of the agreements, we received or will receive non-refundable upfront payments and could receive substantial additional payments upon reaching certain progress milestones or achievement of certain regulatory milestones pertaining to the customers' therapeutics and our MRD product.

Under the contracts, we identify performance obligations, which may include: (1) obligations to provide services supporting the customer's regulatory submission activities as they relate to our MRD product; and (2) sequencing services related to customer-provided samples for their regulatory submissions. The transaction price allocated to the respective performance obligations is estimated using an adjusted market assessment approach for the regulatory support services and a standalone selling price for the estimated immunosequencing services. At contract inception, we fully constrain any consideration related to the regulatory milestones, as the achievement of such milestones is subject to third-party regulatory approval and the customers' own submission decision-making. We recognize revenue relating to the sequencing services as sequencing revenue over time using an output method based on the proportion of sample results delivered relative to the total amount of sample results expected to be delivered and when expected to be a faithful depiction of progress. We use the same method to recognize the regulatory support services. When an output method based on the proportion of sample results delivered is not expected to be a faithful depiction of progress, we utilize an input method based on estimates of effort completed using a cost-based model.

We earned \$2.5 million, \$2.0 million and \$10.0 million during the year ended December 31, 2020, 2019 and 2018, respectively, upon the achievement of certain regulatory milestones by us and our respective customers' therapeutics. All \$2.5 million, \$2.0 million and \$10.0 million was recognized as revenue within the respective periods, as we determined these amounts were consistent with our estimated standalone selling price and the respective performance obligations were complete. We recognized \$3.4 million, \$3.7 million and \$12.8 million in development revenue related to these contracts, inclusive of the milestones, during the year ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, in future periods we could receive up to an additional \$313.5 million in milestone payments if certain regulatory approvals are obtained by our customers' therapeutics in connection with MRD data generated from our MRD product.

### ***Genentech Collaboration Agreement***

In December 2018, we entered into a worldwide collaboration and license agreement with Genentech ("Genentech Agreement") to leverage our capability to develop cellular therapies in oncology. Subsequent to receipt of regulatory approval in January 2019, we received a non-refundable, upfront payment of \$300.0 million in February 2019 and may be eligible to receive more than \$1.8 billion over time, including payments of up to \$75.0 million upon the achievement of specified regulatory milestones, up to \$300.0 million upon the achievement of specified development milestones and up to \$1,430.0 million upon the achievement of specified commercial milestones. In addition, we are separately able to receive tiered royalties at a rate ranging from the mid-single digits to the mid-teens on aggregate worldwide net sales of products arising from the strategic collaboration, subject to certain reductions, with aggregate minimum floors. Under the agreement, we are pursuing two product development pathways for novel T cell immunotherapies in which Genentech intends to use TCRs screened by our immune medicine platform to engineer and manufacture cellular medicines:

- Shared Products. The shared products will use "off-the-shelf" TCRs identified against cancer antigens shared among patients ("Shared Products").



- Personalized Product. The personalized product will use patient-specific TCRs identified by real-time screening of TCRs against cancer antigens in each patient (“Personalized Product”).

Under the terms of the agreement, we granted Genentech exclusive worldwide licenses to develop and commercialize TCR-based cellular therapies in the field of oncology, including licenses to existing shared antigen data packages. Additionally, Genentech has the right to determine which product candidates to further develop for commercialization purposes. We determined that this arrangement meets the criteria set forth in ASC Topic 808, *Collaborative Arrangements* (“ASC 808”), because both parties are active participants in the activity and are exposed to significant risks and rewards depending on the activity’s commercial failure or success. Because ASC 808 does not provide guidance on how to account for the activities under a collaborative arrangement, we applied the guidance in ASC 606 to account for the activities related to the Genentech Agreement.

In applying ASC 606, we identified the following performance obligations at the inception of the agreement:

1. License to utilize on an exclusive basis all TCR-specific platform intellectual property to develop and commercialize any licensed products in the field of oncology.
2. License to utilize all data and information within each shared antigen data package and any other know-how disclosed by us to Genentech in oncology.
3. License to utilize all private antigen TCR product data in connection with research and development activities in the field of use.
4. License to existing shared antigen data packages.
5. Research and development services for shared product development, including expansion of shared antigen data packages.
6. Research and development services for private product development.
7. Obligations to participate on various joint research, development and project committees.

We determined that none of the licenses, research and development services or obligations to participate on various committees were distinct within the context of the contract, given such rights and activities were highly interrelated and there was substantial additional research and development to further develop the licenses. We considered factors such as the stage of development of the respective existing antigen data packages, the subsequent development that would be required to both identify and submit a potential target for investigational new drug acceptance under both product pathways and the variability in research and development pathways given Genentech’s control of product commercialization. Specifically, under the agreement, Genentech is not required to pursue development or commercialization activities pertaining to both product pathways and may choose to proceed with one or the other, as opposed to both. Accordingly, we determined that all of the identified performance obligations were attributable to one general performance obligation, which is to further the development of our TCR-specific platform, including data packages, and continue to make our TCR identification process available to Genentech to pursue either product pathway.

Separately, we have a responsibility to Genentech to enter into a supply and manufacturing agreement for patient-specific TCRs as it pertains to any Personalized Product therapeutic. We determined this was an option right of Genentech should they pursue commercialization of a Personalized Product therapy. Because of the uncertainty resulting from the early stage of development, the novel approach of our collaboration with Genentech and our rights to future commercial milestones and royalty payments, we determined that this option right was not a material right that should be accounted for at inception. As such, we will account for the supply and manufacturing agreement when entered into between the parties.

We determined the initial transaction price shall be made up of only the \$300.0 million upfront, non-refundable payment, as all potential regulatory and development milestone payments were probable of significant revenue reversal given their achievement was highly dependent on factors outside our control. As a result, these payments were fully constrained and were not included in the transaction price as of December 31, 2020. We excluded the commercial milestones and potential royalties from the transaction price, as those items relate predominantly to the license rights granted to Genentech and will be assessed when and if such events occur.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

As there are potential substantive developments necessary, which Genentech may be able to direct, we determined that we would apply a proportional performance model to recognize revenue for our performance obligation. We measure proportional performance using an input method based on costs incurred relative to the total estimated costs of research and development efforts to pursue both the Shared Product and Personalized Product pathways. When any of the potential regulatory and development milestones are no longer fully constrained and included in the transaction price, such amounts will be recognized using the cumulative catch-up method based on proportional performance at such time. We currently expect to recognize the revenue over a period of approximately seven to eight years from the effective date. This estimate of the research and development period considers pursuit options of development activities supporting both the Shared Product and the Personalized Product, but may be reduced or increased based on the various activities as directed by the joint committees, decisions made by Genentech, regulatory feedback or other factors not currently known.

We recognized revenue of \$52.8 million and \$35.1 million during the year ended December 31, 2020 and 2019, respectively, related to the Genentech Agreement. Costs related to the Genentech Agreement are included in research and development expenses.

**4. Fair Value Measurements**

The following tables set forth the fair value of financial assets as of December 31, 2020 and 2019 that were measured at fair value on a recurring basis (in thousands):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Money market funds	\$ 103,283	\$ —	\$ —	\$ 103,283
U.S. government debt securities	—	671,777	—	671,777
Corporate bonds	—	11,581	—	11,581
Total financial assets	<u>\$ 103,283</u>	<u>\$ 683,358</u>	<u>\$ —</u>	<u>\$ 786,641</u>

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Money market funds	\$ 88,683	\$ —	\$ —	\$ 88,683
Commercial paper	—	121,867	—	121,867
U.S. government debt securities	—	377,243	—	377,243
Corporate bonds	—	86,615	—	86,615
Total financial assets	<u>\$ 88,683</u>	<u>\$ 585,725</u>	<u>\$ —</u>	<u>\$ 674,408</u>

Level 1 securities include highly liquid money market funds, for which we measure the fair value based on quoted prices in active markets for identical assets or liabilities. Level 2 securities consist of U.S. government debt securities, commercial paper and corporate bonds, and are valued based on recent trades of securities in inactive markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

**5. Investments**

Available-for-sale investments consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
<b>Short-term marketable securities</b>				
U.S. government debt securities	\$ 552,539	\$ 723	\$ (10)	\$ 553,252
Corporate bonds	11,497	86	(2)	11,581
Total short-term marketable securities	<u>\$ 564,036</u>	<u>\$ 809</u>	<u>\$ (12)</u>	<u>\$ 564,833</u>
<b>Long-term marketable securities</b>				
U.S. government debt securities	\$ 118,429	\$ 98	\$ (2)	\$ 118,525
Total long-term marketable securities	<u>\$ 118,429</u>	<u>\$ 98</u>	<u>\$ (2)</u>	<u>\$ 118,525</u>

	December 31, 2019			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
<b>Short-term marketable securities</b>				
Commercial paper	\$ 121,866	\$ —	\$ —	\$ 121,866
U.S. government debt securities	285,963	394	(1)	286,356
Corporate bonds	71,962	109	(3)	72,068
Total short-term marketable securities	<u>\$ 479,791</u>	<u>\$ 503</u>	<u>\$ (4)</u>	<u>\$ 480,290</u>
<b>Long-term marketable securities</b>				
U.S. government debt securities	\$ 90,750	\$ 146	\$ (9)	\$ 90,887
Corporate bonds	14,513	35	—	14,548
Total long-term marketable securities	<u>\$ 105,263</u>	<u>\$ 181</u>	<u>\$ (9)</u>	<u>\$ 105,435</u>

All the commercial paper, U.S. government debt securities and corporate bonds designated as short-term marketable securities have an effective maturity date that is equal to or less than one year from the respective balance sheet date. Those that are designated as long-term marketable securities have an effective maturity date that is more than one year from the respective balance sheet date.

Accrued interest receivables are excluded from the amortized cost and estimated fair value of our marketable securities. Accrued interest receivables of \$2.5 million and \$2.2 million were presented separately within the prepaid expenses and other current assets line item on our balance sheet as of December 31, 2020 and 2019, respectively. We have made an accounting policy election to not measure an allowance for credit losses for accrued interest receivables.

The following table presents the gross unrealized holding losses and fair value for investments in an unrealized loss position and the length of time that individual securities have been in a continuous loss position as of December 31, 2020 (in thousands):

	Less Than 12 Months		12 Months Or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government debt securities	\$ 177,554	\$ (12)	\$ —	\$ —
Corporate bonds	1,512	(2)	—	—
Total available-for-sale securities	<u>\$ 179,066</u>	<u>\$ (14)</u>	<u>\$ —</u>	<u>\$ —</u>

We periodically review our available-for-sale securities to assess for credit impairment. Some of the factors considered in assessing impairment include the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the security, an industry or geographic area, changes to security ratings or sector credit ratings and other relevant market data.

As of December 31, 2020, we did not intend, nor were we more likely than not to be required, to sell our available-for-sale investments before the recovery of their amortized cost basis, which may be maturity. Based on our assessment, we concluded all impairment as of December 31, 2020 to be due to factors other than credit loss, such as changes in interest rates. A credit allowance was not recognized and the impairment of our available-for-sale securities was recorded in other comprehensive loss.

**6. Property and Equipment, Net**

Property and equipment, net as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Laboratory equipment	\$ 27,767	\$ 20,773
Computer equipment	3,600	2,450
Furniture and office equipment	2,717	1,568
Computer software	860	505
Construction in progress	7,185	1,852
Leasehold improvements	21,945	14,716
Build-to-suit asset cost	—	36,607
Property and equipment, at cost	64,074	78,471
Less: accumulated depreciation	(24,382)	(18,116)
Property and equipment, net	<u>\$ 39,692</u>	<u>\$ 60,355</u>

Depreciation expense was \$6.8 million, \$6.1 million and \$4.3 million for the year ended December 31, 2020, 2019 and 2018, respectively.

**7. Goodwill and Intangible Assets**

There have been no changes in the carrying amount of goodwill since its recognition in 2015.

Intangible assets subject to amortization as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired developed technology	\$ 20,000	\$ (9,972)	\$ 10,028
Purchased intellectual property	325	(128)	197
Balance at December 31, 2020	<u>\$ 20,325</u>	<u>\$ (10,100)</u>	<u>\$ 10,225</u>

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired developed technology	\$ 20,000	\$ (8,301)	\$ 11,699
Purchased intellectual property	325	(96)	229
Balance at December 31, 2019	<u>\$ 20,325</u>	<u>\$ (8,397)</u>	<u>\$ 11,928</u>

The developed technology was acquired in connection with our acquisition of Sequentia in 2015. The remaining balance of the acquired technology and the purchased intellectual property is expected to be amortized over the next 6.0 years.

As of December 31, 2020, expected future amortization expense for intangible assets was as follows (in thousands):

2021	\$ 1,699
2022	1,699
2023	1,699
2024	1,703
2025	1,699
Thereafter	1,726
Total future amortization expense	<u>\$ 10,225</u>

**8. Accrued Liabilities**

Accrued liabilities as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Professional fees	\$ 3,219	\$ 1,011
Clinical and contract research organization costs	1,781	30
Travel and entertainment	91	157
Tax liabilities	1,767	2,062
Purchases of property and equipment	4,423	555
Other	1,881	556
<b>Total accrued liabilities</b>	<b>\$ 13,162</b>	<b>\$ 4,371</b>

The accrued tax liabilities balance as of December 31, 2020 includes a \$1.4 million tax withholding liability related to unsettled option exercises as of December 31, 2020. The accrued tax liabilities balance as of December 31, 2019 includes a \$1.9 million tax withholding liability related to unsettled option exercises as of December 31, 2019.

**9. Deferred Revenue**

Deferred revenue by revenue classification as of December 31, 2020 and 2019 was as follows (in thousands):

	December 31,	
	2020	2019
<b>Current deferred revenue</b>		
Sequencing	\$ 15,463	\$ 12,482
Development	57,856	48,512
<b>Total current deferred revenue</b>	<b>73,319</b>	<b>60,994</b>
<b>Non-current deferred revenue</b>		
Sequencing	724	1,459
Development	162,894	217,873
<b>Total non-current deferred revenue</b>	<b>163,618</b>	<b>219,332</b>
<b>Total current and non-current deferred revenue</b>	<b>\$ 236,937</b>	<b>\$ 280,326</b>

Deferred revenue from our Genentech Agreement represents \$55.1 million and \$157.0 million of the current and non-current development deferred revenue balances, respectively, as of December 31, 2020 and \$48.1 million and \$216.8 million of the current and non-current development deferred revenue balances, respectively, as of December 31, 2019. In general, we expect that the current amounts will be recognized as revenue within 12 months and the non-current amounts will be recognized as revenue over a period of approximately six to seven years. This period of time represents an estimate of the research and development period to develop cellular therapies in oncology, which may be reduced or increased based on the various development activities.

Changes in deferred revenue during the year ended December 31, 2020 were as follows (in thousands):

Deferred revenue balance at December 31, 2019	\$ 280,326
Additions to deferred revenue during the period	26,434
Revenue recognized during the period	(69,823)
Deferred revenue balance at December 31, 2020	<b>\$ 236,937</b>

As of December 31, 2020, \$61.6 million was recognized as revenue that was included in the deferred revenue balance at December 31, 2019. This is inclusive of \$1.0 million of sequencing revenue recognized as a result of cancelled biopharmaceutical customer sequencing contracts and \$0.6 million of sequencing revenue related to Medicare that was recognized due to our determination that additional testing for specific patients was remote.

**10. Leases**

We have operating lease agreements for the laboratory and office facilities that we occupy in various locations, as well as server space.

In July 2011, we entered into a non-cancelable lease agreement with an, at the time, minority shareholder for our current headquarters in Seattle, Washington. The lease terms were subsequently amended multiple times, most recently in August 2019, when we expanded the existing premises to approximately 65,500 square feet. Cash payment for rent of the expanded premises commenced January 2020, four months after the landlord delivered the expanded premises to us for construction of certain tenant improvements, and the lease term for both the existing premises and the expanded premises ends October 2032, subject to our option to twice extend the lease for five years. The amended lease also requires us to pay additional amounts for operating and maintenance expenses.

In August 2019, we entered into an agreement to rent approximately 100,000 square feet in a to-be-constructed building in Seattle, Washington. In connection with the lease, we entered into a \$2.1 million letter of credit with one of our existing financial institutions. Due to our significant involvement during the construction process of the leased building, we qualified as the deemed owner of the building under build-to-suit lease accounting guidance that proceeded ASC 842. The resulting asset and long-term financing obligation recorded on our balance sheet as of December 31, 2019 for the cost of the building was derecognized upon adoption of ASC 842. The lease commenced in December 2020, when the landlord delivered the premises to us for construction of certain tenant improvements. Cash payment for rent begins in October 2021 and the lease term ends in August 2033, subject to our option to twice extend the lease for five years. We plan to occupy the new building in 2021, once interior construction is finished. In connection with this lease, the landlord agreed to fund \$20.0 million in improvements, which was subsequently reduced to \$14.8 million as a result of our change requests made during landlord construction of the building, net of an administration fee. As of December 31, 2020, we have incurred \$5.2 million in certain tenant improvement costs, of which \$0.7 million has been reimbursed by the landlord. The remaining \$4.5 million is presented as a reduction in the cash flows used to measure our ROU asset and lease liabilities on our balance sheet as of December 31, 2020 and will be reimbursed by the landlord. The lease also requires us to pay additional amounts for operating and maintenance expenses.

In October 2019, we entered into an agreement to lease approximately 14,750 square feet in a separate Seattle, Washington location, pursuant to a lease expiring in October 2029, which is subject to our ability to exercise an early termination right after the third year. In connection with the lease, the landlord has agreed to provide a tenant improvement allowance in the maximum amount of \$0.7 million. The lease also requires us to pay additional amounts for operating expenses.

In April 2018, we entered into a lease agreement to lease approximately 13,400 square feet in South San Francisco, California. The lease term is through March 2026 and provides for one five-year extension option. We are responsible for our share of allocable operating expenses, tax expenses and utilities cost during the duration of the lease term. In connection with the lease, the landlord funded agreed-upon improvements. The landlord was solely responsible for the \$2.4 million cost of such improvements. The lease agreement was amended in February 2020 to lease approximately 19,900 additional square feet and provides for a \$0.6 million tenant improvement allowance.

In December 2019, we entered into an agreement to lease approximately 3,100 square feet of office space in New York City, New York, pursuant to a lease that expires November 2025, subject to our ability to exercise an early termination right in 2023.

As of December 31, 2020, we were not party to any finance leases. Our leases have remaining terms of 1.3 years to 12.7 years and include options to extend certain of the leases up to 10.0 years and terminate certain of the leases after 3.0 years. We adjust lease terms for these options only when it is reasonably certain we will exercise these options. As of December 31, 2020, it was reasonably certain that we would exercise our option to terminate two of our leases after 3.0 years.

Other information related to our operating leases as of December 31, 2020 was as follows:

Weighted-average remaining lease term (in years)	11.33
Weighted-average discount rate	4.6%

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

The following table reconciles our undiscounted operating lease cash flows to our operating lease liabilities as of December 31, 2020 (in thousands):

2021	\$	7,828
2022		13,554
2023		13,318
2024		13,030
2025		13,419
Thereafter		88,463
<b>Total undiscounted lease payments</b>		<b>149,612</b>
Less:		
Imputed interest rate		(35,848)
Tenant improvement receivables		(5,902)
<b>Total operating lease liabilities</b>	<b>\$</b>	<b>107,862</b>
Less: current portion		(3,529)
<b>Operating lease liabilities, less current portion</b>	<b>\$</b>	<b>104,333</b>

Operating lease expense was \$5.5 million for the year ended December 31, 2020. Variable lease expense for operating leases was \$2.6 million for the year ended December 31, 2020. Rent expense recognized under ASC 840, inclusive of operating and maintenance costs, was \$5.3 million and \$4.1 million for the year ended December 31, 2019 and 2018, respectively.

Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2020 was \$3.2 million, net of \$2.5 million of cash received for tenant improvement allowances. For the year ended December 31, 2020, ROU assets obtained in exchange for operating lease liabilities was \$109.1 million, inclusive of the \$33.0 million recognized from the adoption of ASC 842.

## 11. Commitments and Contingencies

### *Legal Proceedings*

We are subject to claims and assessments from time to time in the ordinary course of business. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. We are not party to any material legal proceedings as of December 31, 2020.

### *Indemnification Agreements*

In the ordinary course of business, we may provide indemnification of varying scope and terms to vendors, lessors, customers and other parties with respect to certain matters including, but not limited to, losses arising out of breach of our agreements with them or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with members of our board of directors and certain of our executive officers that will require us to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments that we could be required to make under these indemnification agreements is, in many cases, unlimited. We have not incurred any material costs as a result of such indemnifications and are not currently aware of any indemnification claims.

## 12. Shareholders' Equity

### *Convertible Preferred Stock*

Immediately prior to the completion of our initial public offering on July 1, 2019, 93,039,737 shares of convertible preferred stock then outstanding converted into an equivalent number of shares of common stock. As of December 31, 2020, no shares of convertible preferred stock were outstanding.

### *Preferred Stock*

We are authorized to issue 10,000,000 shares of preferred stock, par value \$0.0001 per share. As of December 31, 2020, no shares of preferred stock were outstanding.

**Common Stock**

We are authorized to issue 340,000,000 shares of common stock. Our common stock has a par value of \$0.0001 per share, no preferences or privileges and is not redeemable. Holders of our common stock are entitled to one vote for each share of common stock held. The holders of record of outstanding shares of common stock shall be entitled to receive, when, as and if declared, out of funds legally available, such cash and other dividends as may be declared from time to time. As of December 31, 2020, we had 137,646,896 shares of common stock outstanding.

As of December 31, 2020, we have reserved shares of common stock for the following:

Shares issuable upon the exercise of outstanding common stock options and the vesting of outstanding common restricted stock units granted	14,483,560
Shares available for future grant under the 2019 Equity Incentive Plan	18,617,001
Shares available for future grant under the Employee Stock Purchase Plan	2,804,298
Shares to be issued upon exercise of a common stock warrant	56,875
<b>Total shares of common stock reserved for future issuance</b>	<b><u>35,961,734</u></b>

Our 2019 Equity Incentive Plan (“2019 Plan”) provides for annual increases in the number of shares that may be issued under the 2019 Plan on January 1, 2020 and on each subsequent January 1, thereafter, by a number of shares equal to the lesser of (a) 5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by our board of directors.

Furthermore, our Employee Stock Purchase Plan (“ESPP”) provides for annual increases in the number of shares available for issuance under our ESPP on January 1, 2020 and on each January 1, thereafter, by a number of shares equal to the smallest of (a) 1% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by our board of directors.

Effective January 1, 2020, our 2019 Plan and ESPP reserves increased by 6,261,907 shares and 1,252,381 shares, respectively. Effective January 1, 2021, our 2019 Plan reserve increased by 6,882,344 shares.

**Common Stock Warrants**

In connection with two transactions in 2012 and 2013, we granted warrants to purchase up to 55,032 shares of common stock. These warrants were exercisable at any time for a period of ten years from the date of issuance at a weighted-average exercise price of \$0.37, except in the case of a warrant to purchase 20,000 shares of common stock at an exercise price of \$0.45 per share that would have expired if unexercised prior to the closing of our initial public offering. On July 1, 2019, we issued 54,792 shares of common stock through both a cash and cashless exercise of the warrants. The impact of these exercises was immaterial to the financial statements.

Separately, in 2014, we issued a warrant to purchase 56,875 shares of Series C convertible preferred stock at an exercise price of \$2.64. The warrant is exercisable for a period of seven years from the date of issuance. Immediately prior to and in connection with the completion of our initial public offering on July 1, 2019, this convertible preferred stock warrant, which was previously recorded as a financial liability, was converted to a warrant to purchase the same number of shares of common stock. Upon conversion, the financial liability was reclassified to the additional paid-in capital line item on our balance sheet. The warrant to purchase 56,875 shares of common stock remains outstanding as of December 31, 2020.

**13. Equity Incentive Plans**

***Sequentia 2008 Stock Plan, as amended***

In connection with our acquisition of Sequentia in January 2015, we assumed Sequentia’s Equity Incentive Plan (“2008 Plan”), including all outstanding options and shares available for future issuance under the 2008 Plan, which, prior to the completion of our initial public offering, were all exercisable for Series E-1 convertible preferred stock. Upon completion of our initial public offering in July 2019, the outstanding options were exercisable for common stock. No shares are available for future issuance under this plan and no equity awards are outstanding under this plan as of December 31, 2020.



**Adaptive 2009 Equity Incentive Plan**

We adopted an equity incentive plan in 2009 (“2009 Plan”) that provided for the issuance of incentive and nonqualified common stock options and other share-based awards for employees, directors and consultants. Under the 2009 Plan, the option exercise price for incentive and nonqualified stock options were not to be less than the fair market value of our common stock at the date of grant. Options granted under this plan expire no later than ten years from the grant date and vesting was established at the time of grant. Pursuant to the terms of the 2019 Plan, any shares subject to outstanding options originally granted under the 2009 Plan that terminate, expire or lapse for any reason without the delivery of shares to the holder thereof shall become available for issuance pursuant to awards granted under the 2019 Plan. While no shares are available for future issuance under the 2009 Plan, it continues to govern outstanding equity awards granted thereunder.

**2019 Equity Incentive Plan**

The 2019 Plan was approved by our shareholders on June 13, 2019 and, pursuant to the resolutions adopted by our board of directors, became effective immediately prior to the closing of our initial public offering. The 2019 Plan provides for the issuance of awards in the form of options and other share-based awards for employees, directors and consultants. Under the 2019 Plan, the option exercise price per share shall not be less than the fair market value of a share of stock on the grant date of the option, as defined by the 2019 Plan, unless explicitly qualified under the provisions of Section 409A or Section 424(a) of the Internal Revenue Code of 1986. Additionally, unless otherwise specified, options granted under this plan expire no later than ten years from the grant date and vesting is established at the time of grant. Except for certain option grants made to non-employee directors, stock options granted under the 2019 Plan generally vest over a four-year period, subject to continuous service through each applicable vesting date. As of December 31, 2020, we have authorized 22,109,217 shares of common stock for issuance under the 2019 Plan.

Changes in shares available for grant during the year ended December 31, 2020 were as follows:

	<b>Shares Available for Grant</b>
Shares available for grant at December 31, 2019	15,396,254
2019 Plan reserve increase on January 1, 2020	6,261,907
Options and restricted stock units granted	(3,291,701)
Options forfeited, cancelled or expired	250,541
Shares available for grant at December 31, 2020	18,617,001

Stock option activity under the 2008 Plan, 2009 Plan and 2019 Plan during the year ended December 31, 2020 was as follows:

	<b>Shares Subject to Outstanding Options</b>	<b>Weighted- Average Exercise Price per Share</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
Options outstanding at December 31, 2019	16,646,654	\$ 6.14	\$ 398,379
Options granted	3,241,701	33.36	
Options forfeited or cancelled	(235,541)	16.17	
Options expired	(15,000)	0.16	
Options exercised	(5,204,254)	4.14	
Options outstanding at December 31, 2020	14,433,560	\$ 12.82	\$ 668,458
Options vested and exercisable at December 31, 2020	7,924,779	\$ 6.41	\$ 417,801

The weighted-average remaining contractual life for options outstanding as of December 31, 2020 was 7.1 years. The weighted-average remaining contractual life for vested and exercisable options outstanding as of December 31, 2020 was 5.9 years.

The weighted-average grant date fair value per share of options granted was \$21.11, \$6.87 and \$4.15 during the year ended December 31, 2020, 2019 and 2018, respectively. The total intrinsic value of options exercised was \$190.4 million, \$39.1 million and \$3.8 million during the year ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, \$0.3 million was included in the prepaid expenses and other current assets line item on our balance sheet for unsettled cash proceeds related to options exercised during the year ended December 31, 2020. As of December 31, 2019, \$0.5 million was included in the prepaid expenses and other current assets line item on our balance sheet for unsettled cash proceeds related to options exercised during the year ended December 31, 2019. The \$21.7 million proceeds from exercise of stock options on our statements of cash flows for the year ended December 31, 2020 includes this \$0.5 million, as the related proceeds settled during the year ended December 31, 2020.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

Restricted stock unit activity under the 2019 Plan during the year ended December 31, 2020 was as follows:

	Restricted Stock Units Outstanding		Weighted- Average Grant Date Fair Value per Share
Nonvested outstanding restricted stock units at December 31, 2019	4,500	\$	41.63
Restricted stock units granted	50,000		28.10
Restricted stock units vested	(4,500)		41.63
Nonvested outstanding restricted stock units at December 31, 2020	50,000	\$	28.10

The weighted-average grant date fair value per share of restricted stock units granted during the year ended December 31, 2019 was \$41.63.

**Grant Date Fair Value of Options and Restricted Stock Units Granted**

The estimated grant date fair value of options granted during the year ended December 31, 2020, 2019 and 2018 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31,		
	2020	2019	2018
Fair value of common stock	\$17.68 - \$55.23	\$7.80 - \$47.81	\$6.55
Expected term (in years)	5.27 - 6.08	5.27 - 6.08	6.08 - 10.00
Risk-free interest rate	0.4% - 1.7%	1.4% - 2.5%	2.6% - 3.0%
Expected volatility	70.5% - 73.3%	64.3% - 72.9%	65.0% - 69.2%
Expected dividend yield	—	—	—

The weighted-average volatility used in the grant date fair value calculations of options granted during the year ended December 31, 2020, 2019 and 2018 was 71.4%, 68.1% and 68.1%, respectively.

The determination of the fair value of stock options on the date of grant using a Black-Scholes option-pricing model is affected by the estimated fair value of our common stock, as well as assumptions regarding a number of variables that are complex, subjective and generally require significant judgment to determine. The valuation assumptions were determined as follows:

*Fair value of common stock*—Prior to the closing of our initial public offering, the fair value of our common stock was determined with input from management using valuation methodologies which utilized certain assumptions, including probability weighting of events, volatility, time to liquidation, a risk-free interest rate and an assumption for a discount for lack of marketability (Level 3 inputs). In determining the fair value of our common stock, the methodologies used to estimate the enterprise value were performed using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. For valuations of grants made after the closing of our initial public offering, the fair value of each share of common stock is based on the closing price of our common stock on the date of grant, or other relevant determination date, as reported on The Nasdaq Global Select Market.

*Expected term*—The expected term of options granted to employees and non-employee directors is determined using the “simplified” method, as illustrated in ASC Topic 718, *Compensation—Stock Compensation*, as we do not have sufficient exercise history to determine a better estimate of expected term. Under this approach, the expected term is based on the midpoint between the vesting date and the end of the contractual term of the option.

*Risk-free interest rate*—We utilize a risk-free interest rate in the option valuation model based on U.S. Treasury zero-coupon issues with remaining terms similar to the expected terms of the options.

*Expected volatility*—As we do not have sufficient trading history for our common stock, the expected volatility is based on the historical volatility of our publicly traded industry peers utilizing a period of time consistent with our estimate of the expected term.

*Expected dividend yield*—We do not anticipate paying any cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero in the option valuation model.

The grant date fair value of restricted stock units granted after the closing of our initial public offering is based on the closing price of our common stock on the date of grant, or other relevant determination date, as reported on The Nasdaq Global Select Market.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

Share-based compensation expense of \$24.8 million, \$13.1 million and \$11.1 million was recognized during the year ended December 31, 2020, 2019 and 2018, respectively.

The compensation costs related to stock options and restricted stock units for the years ended December 31, 2020, 2019 and 2018 are included on our statements of operations as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 817	\$ 555	\$ 398
Research and development	8,519	3,934	2,896
Sales and marketing	6,627	3,480	2,891
General and administration	8,798	5,155	4,964
<b>Total share-based compensation expense</b>	<b>\$ 24,761</b>	<b>\$ 13,124</b>	<b>\$ 11,149</b>

During the year ended December 31, 2018, there was one employee option modification to extend the option exercise period, which resulted in incremental stock compensation of \$0.5 million.

As of December 31, 2020, unrecognized share-based compensation expense related to unvested stock options was \$74.9 million, which is expected to be recognized over a remaining weighted-average period of 3.0 years. Additionally, as of December 31, 2020, unrecognized share-based compensation expense related to nonvested restricted stock units was \$1.1 million, which is expected to be recognized over a remaining weighted-average period of 3.3 years.

#### **14. Microsoft Collaboration Agreement**

##### **Summary of Agreement**

In December 2017, we entered into a collaboration agreement with Microsoft (“Microsoft Agreement”) to computationally derive a comprehensive TCR antigen map for purposes of developing a universal diagnostic based on a single blood test.

Contemporaneously with the Microsoft Agreement, we entered into a separate agreement to use Microsoft’s Azure cloud services at standard volume pricing with a minimum Azure consumption requirement of \$12.0 million over the seven-year term of the Microsoft Agreement, which we expect to meet in the ordinary course of business.

In addition, contemporaneously with entering into the Microsoft Agreement, Microsoft made a preferred stock investment of approximately \$45.0 million as a part of our Series F-1 convertible preferred stock issuance.

##### **Summary of Accounting**

The terms of the Microsoft Agreement meet the criteria under ASC Topic 808, *Collaborative Arrangements* (“ASC 808”), as both parties are active participants in the activity and are exposed to significant risks and rewards dependent on the commercial success of the activity. ASC 808 does not provide guidance on how to account for the activities under the collaboration and we determined that Microsoft did not meet the definition of a customer under ASC 606. Accordingly, we looked to other guidance to determine the accounting for the respective elements.

We determined that the preferred stock issuance and commitment to use Microsoft’s Azure cloud services were made at terms consistent with market rates. All consideration received as part of the Series F-1 convertible preferred stock issuance was accounted for as part of the Series F-1 preferred stock issuance. Since the commitment to use Microsoft’s Azure cloud services was at market terms and we expect to meet the commitment in the ordinary course of business during the seven-year term, we record the expenses in the period in which the services are consumed. These costs are recorded in our statements of operations based on the underlying activities for which they support.

The remaining elements of the agreement were highly interrelated, so we evaluated them in the aggregate to determine the appropriate accounting application. Specifically, we determined that the transfer of license rights between the parties, our commitment to provide data and immunomics, diagnostic and bioinformatics expertise to Microsoft and Microsoft’s commitment to provide machine learning software and related development services to us were highly interrelated because they were necessary for the parties to perform the activities under the Microsoft Agreement and, therefore, should be evaluated as one unit of account.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

We accounted for these collaboration activities by analogy to ASC Topic 845, *Nonmonetary Transactions*, and determined that major uncertainties exist about the realizability of the value that would be assigned to an asset received from or provided to Microsoft under the collaboration and, therefore, fair value could not be reliably measured. As a result, we did not recognize any non-monetary assets or corresponding non-monetary income or expenses pertaining to the rights provided to us or to be received by us under the Microsoft Agreement.

**15. Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of our deferred tax assets and liabilities for the periods presented are as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets		
Net operating losses	\$ 105,433	\$ 79,035
Tax credit carryforward	18,981	11,152
Non qualifying stock options	12,096	9,150
Deferred rent	—	11,755
Operating lease liabilities	31,052	—
Deferred revenue	59,713	1,706
Other	2,983	1,892
Total deferred tax assets	230,258	114,690
Valuation allowance	(197,527)	(100,906)
Deferred tax assets, net of valuation allowance	32,731	13,784
Deferred tax liabilities		
Tangible and intangible assets	(5,760)	(13,784)
ROU assets	(26,971)	—
Net deferred taxes	\$ —	\$ —

ASC Topic 740, *Income Taxes*, requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is “more likely than not.” Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carryforward period. Because of our history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance. The valuation allowance increased by \$96.6 million and \$30.2 million during the year ended December 31, 2020 and 2019, respectively.

In March 2020, the CARES Act was enacted and signed into law in response to COVID-19. The CARES Act, among other things, included several significant provisions that impacted corporate taxpayers’ accounting for income taxes, including modification to the utilization of net operating losses and interest expense deduction limitations. However, none of these provisions have an impact on our tax provision.

Federal tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an ownership change, as defined in Section 382 of the Internal Revenue Code. Accordingly, our ability to utilize these carryforwards may be limited due to such ownership changes. We have completed a Section 382 analysis for changes in ownership through December 31, 2018 and an analysis is ongoing for ownership changes through December 31, 2020. Based on these analyses, we do not expect to have any permanent limitations on the utilization of our federal net operating losses. Under the TCJA federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. Net operating losses generated prior to 2018 are eligible to be carried forward up to 20 years. As of December 31, 2020, we had U.S. federal net operating losses of \$192.5 million and U.S. federal tax credits of \$18.8 million that will begin to expire in 2028. We also have \$211.9 million of net operating losses that do not expire.

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

The effective tax rate of our provision for income taxes differs from the federal statutory rate for the periods presented as follows:

	Year Ended December 31,		
	2020	2019	2018
Statutory rate	21.0%	21.0%	21.0%
State tax	13.8	8.1	5.5
Stock compensation	25.2	9.8	0.5
Permanent items	(0.1)	(1.0)	0.5
Credits	5.7	6.1	2.7
Other	0.5	0.3	0.1
Change in valuation allowance	(66.1)	(44.3)	(30.3)
Total	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

We recognize, in our financial statements, the effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We had unrecognized tax benefits of \$3.5 million as of December 31, 2020. A reconciliation of the beginning and ending amounts of unrecognized tax benefits during the periods presented are as follows (in thousands):

Balance at December 31, 2017	\$	1,031
Additions in 2018		229
Balance at December 31, 2018		<u>1,260</u>
Additions in 2019		792
Balance at December 31, 2019		<u>2,052</u>
Additions in 2020		1,437
Balance at December 31, 2020	\$	<u><u>3,489</u></u>

During the year ended December 31, 2020 and 2019, we recognized uncertain tax positions of \$1.4 million and \$0.8 million, respectively, related to a reduction of the research and development credit deferred tax asset. Unrecognized tax benefits may change during the next twelve months for items that arise in the ordinary course of business. We do not anticipate a material change to our unrecognized tax benefits over the next twelve months that would have an adverse effect on our operating results.

We recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. We had no accrued interest or penalties related to uncertain tax positions as of December 31, 2020 and 2019.

We file federal and certain state income tax returns, which provide varying statutes of limitations on assessments. However, because of net operating loss carryforwards, substantially all tax years since inception remain open to federal and state tax examination.

## 16. Net Loss Per Share Attributable to Common Shareholders

### Net Loss Per Share

The following table sets forth the computation of the basic and diluted net loss per share attributable to common shareholders for the periods presented (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (146,227)	\$ (68,606)	\$ (46,447)
Fair value adjustments to redemption value for Series E-1 convertible preferred stock options	—	(964)	102
Net loss attributable to common shareholders, basic and diluted	<u>\$ (146,227)</u>	<u>\$ (69,570)</u>	<u>\$ (46,345)</u>
Weighted-average shares used in computing net loss per share	<u>131,216,468</u>	<u>69,165,315</u>	<u>12,629,778</u>
Net loss per share attributable to common shareholders, basic and diluted	<u>\$ (1.11)</u>	<u>\$ (1.01)</u>	<u>\$ (3.67)</u>

**Adaptive Biotechnologies Corporation**  
**Notes to Financial Statements (Continued)**

Since we were in a loss position for all periods presented, basic net loss per share attributable to common shareholders is the same as diluted net loss per share attributable to common shareholders, as the inclusion of all potential shares of common stock outstanding would have been anti-dilutive. The following weighted-average common stock equivalents were excluded from the calculation of diluted net loss per share attributable to common shareholders for the year ended December 31, 2020, 2019 and 2018, respectively, as they had an anti-dilutive effect:

	Year Ended December 31,		
	2020	2019	2018
Convertible preferred stock (on as if converted basis)	—	46,104,469	92,783,867
Stock options issued and outstanding	16,125,548	17,183,546	14,701,626
Nonvested restricted stock units	38,125	4,952	—
Common stock warrants	56,875	55,961	55,032
Convertible preferred stock warrants	—	28,204	56,875
Total	<u>16,220,548</u>	<u>63,377,132</u>	<u>107,597,400</u>

**17. Retirement Plan**

We maintain a salary deferral 401(k) plan (“401(k) Plan”) covering employees who have met certain eligibility requirements. Employees may defer up to 100% of their compensation to the 401(k) Plan, subject to federal limits. We made \$1.6 million in discretionary contributions during the year ended December 31, 2020, which are fully vested after one year of employee service. We did not make any discretionary contributions during the years ended December 31, 2019 and 2018.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures*****Evaluation of disclosure controls and procedures***

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of December 31, 2020. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2020.

***Management's annual report on internal control over financial reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2020 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by an independent registered public accounting firm, as stated in their report, which is included below.

***Changes in internal control***

There was not any change in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act, during the three months ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Adaptive Biotechnologies Corporation

### ***Opinion on Internal Control Over Financial Reporting***

We have audited Adaptive Biotechnologies Corporation's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Adaptive Biotechnologies Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets of Adaptive Biotechnologies Corporation as of December 31, 2020 and 2019, the related statements of operations, comprehensive loss, convertible preferred stock and shareholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 24, 2021 expressed an unqualified opinion thereon.

### ***Basis for Opinion***

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### ***Definition and Limitations of Internal Control Over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Seattle, Washington  
February 24, 2021



**Item 9B. Other Information**

Not applicable.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item 10 of Form 10-K will be included in our definitive proxy statement to be filed with the SEC in connection with the solicitation of proxies for our 2021 Annual Meeting of Shareholders (“2021 Proxy Statement”) and is incorporated herein by reference.

### **Item 11. Executive Compensation**

The information required by this Item 11 of Form 10-K will be included in our 2021 Proxy Statement and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item 12 of Form 10-K, including with respect to our equity compensation plans, will be included in our 2021 Proxy Statement and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item 13 of Form 10-K will be included in our 2021 Proxy Statement and is incorporated herein by reference.

### **Item 14. Principal Accounting Fees and Services**

The information required by this Item 14 of Form 10-K will be included in our 2021 Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) All Financial Statements

See Index to Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All financial statement schedules have been omitted since the required information was not applicable or was not present in amounts sufficient to require submission of the schedules, or because the information required is included in the financial statements or the accompanying notes.

(3) Exhibits

The exhibits listed in the following Index to Exhibits are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

**Index to Exhibits**

Exhibit Number	Exhibit Title	Filed/Furnished With This Report	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
3.1	<a href="#">Amended and Restated Articles of Incorporation</a>		8-K	001-38957	3.1	7/1/2019
3.2	<a href="#">Amended and Restated Bylaws</a>		8-K	001-38957	3.2	7/1/2019
4.1	<a href="#">Seventh Amended and Restated Investors' Rights Agreement among the Registrant and certain of its shareholders, dated May 30, 2019</a>		S-1	333-231838	4.1	5/30/2019
4.2	<a href="#">Warrant dated April 21, 2014, issued by the Registrant to Alexandria Equities, LLC</a>		S-1	333-231838	4.4	5/30/2019
4.3	<a href="#">Description of Securities</a>		10-K	001-38957	4.3	2/26/2020
10.1†	<a href="#">Strategic Collaboration and License Agreement between Genentech, Inc. and the Registrant, dated December 19, 2018</a>		S-1	333-231838	10.1	5/30/2019
10.2†	<a href="#">Strategic Collaboration Agreement between Microsoft Corporation and the Registrant, dated December 11, 2017</a>		S-1	333-231838	10.2	5/30/2019
10.3†	<a href="#">Master Terms &amp; Conditions of Sale between Illumina, Inc. and the Registrant, dated May 28, 2019</a>		S-1/A	333-231838	10.3	6/17/2019
10.4	<a href="#">Amended and Restated Side Letter Agreement among Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd., Viking Long Fund Master Ltd. and the Registrant, dated May 8, 2019</a>		S-1	333-231838	10.5	5/30/2019
10.5*	<a href="#">Form of Amended and Restated Employment Agreement between the Registrant and certain of its executive officers</a>		S-1	333-231838	10.7	5/30/2019

Exhibit Number	Exhibit Title	Filed/Furnished With This Report	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
10.6*	<a href="#">Form of Amended and Restated Employment Agreement between the Registrant and each of Lance Baldo, MD and Francis T. Lo</a>		S-1	333-231838	10.8	5/30/2019
10.7*	<a href="#">Form of Restated Non-Employee Director Change in Control Agreement between the Registrant and each of its non-employee directors</a>		S-1	333-231838	10.9	5/30/2019
10.8*	<a href="#">Executive Severance Agreement between the Registrant and Chad Cohen, dated May 1, 2019</a>		S-1	333-231838	10.10	5/30/2019
10.9*	<a href="#">Executive Severance Agreement between the Registrant and Lance Baldo, MD, dated April 22, 2019</a>		S-1	333-231838	10.11	5/30/2019
10.10*	<a href="#">Form of Executive Severance Agreement between the Registrant and certain of its executive officers</a>		10-Q	001-38957	10.1	8/10/2020
10.11*	<a href="#">Form of Indemnification Agreement between the Registrant and each of its directors and executive officers</a>		S-1	333-231838	10.13	5/30/2019
10.12*	<a href="#">Adaptive Biotechnologies Corporation Non-Employee Director Compensation Policy</a>	X				
10.13*	<a href="#">Adaptive Biotechnologies Corporation 2009 Equity Incentive Plan and form of award agreement thereunder</a>		S-1	333-231838	10.15	5/30/2019
10.14*	<a href="#">Adaptive Biotechnologies Corporation 2019 Equity Incentive Plan and form of award agreement thereunder</a>		10-Q	001-38957	10.12	8/13/2019
10.15*	<a href="#">Adaptive Biotechnologies Corporation 2019 Employee Stock Purchase Plan</a>		S-1/A	333-231838	10.17	6/17/2019
10.16*	<a href="#">Form of Stock Option Agreement for Non-U.S Participants</a>	X				
10.17*	<a href="#">Form of Restricted Stock Unit Agreement for Non-U.S Participants</a>	X				
10.18	<a href="#">Lease Agreement between ARE-Seattle No. 11, LLC and Adaptive TCR Corporation, dated July 21, 2011, as amended by Amendment No. 1, dated August 26, 2011, Amendment No. 2, dated June 30, 2014, Amendment No. 3, dated November 5, 2015, Amendment No. 4, dated December 23, 2015, and Amendment No. 5, dated June 6, 2016</a>		S-1	333-231838	10.18	5/30/2019
10.19†	<a href="#">Sixth Amendment to Lease Agreement between Adaptive Biotechnologies Corporation and ARE-Seattle No. 11, LLC, dated August 2, 2019</a>		8-K	001-38957	10.1	8/7/2019
10.20†	<a href="#">Lease Agreement between Adaptive Biotechnologies Corporation and ARE-Seattle No. 12, LLC, dated August 2, 2019</a>		8-K	001-38957	10.2	8/7/2019
10.21†	<a href="#">IVD Test Kit Development and Supply Agreement between Illumina, Inc. and Adaptive Biotechnologies Corporation, effective September 23, 2019</a>		10-Q	001-38957	10.3	11/12/2019

Exhibit Number	Exhibit Title	Filed/Furnished With This Report	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
21.1	<a href="#">List of Subsidiaries</a>	X				
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>	X				
24.1	<a href="#">Power of Attorney (included on the signature page)</a>	X				
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32.1	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
32.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (formatted in Inline XBRL and included in Exhibit 101)	X				

\* Management contract or compensation plan or arrangement.

† Portions of this exhibit have been omitted pursuant to Item 601 of Regulation S-K promulgated under the Securities Act because the information is not material and would be competitively harmful if publicly disclosed.

#### Item 16. Form 10-K Summary

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Seattle, State of Washington, on February 24, 2021.

### Adaptive Biotechnologies Corporation

By: /s/ Chad Robins  
Chad Robins  
Chief Executive Officer

### POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Chad Robins, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Chad Robins</u> Chad Robins	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	February 24, 2021
<u>/s/ Chad Cohen</u> Chad Cohen	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	February 24, 2021
<u>/s/ Kevin Conroy</u> Kevin Conroy	Director	February 24, 2021
<u>/s/ Eric Dobmeier</u> Eric Dobmeier	Director	February 24, 2021
<u>/s/ David Goel</u> David Goel	Director	February 24, 2021
<u>/s/ Michelle Griffin</u> Michelle Griffin	Director	February 24, 2021
<u>/s/ Robert Hershberg</u> Robert Hershberg, PhD, MD	Director	February 24, 2021
<u>/s/ Peter Neupert</u> Peter Neupert	Director	February 24, 2021
<u>/s/ Michael Pellini</u> Michael Pellini, MD	Director	February 24, 2021

## ADAPTIVE BIOTECHNOLOGIES CORPORATION

## NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Last updated February 14, 2021

Adaptive Biotechnologies Corporation, a Washington corporation (the “**Company**”), believes that the granting of cash and equity compensation to the members of its Board of Directors (the “**Board**,” and members of the Board, the “**Directors**”) represents an effective tool to attract, retain and reward Directors who are not employees of the Company (the “**Non-Employee Directors**”). This Non-Employee Director Compensation Policy (this “**Policy**”) is intended to formalize the Company’s policy regarding cash compensation and grants of equity to its Non-Employee Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given such term in the Company’s 2019 Equity Incentive Plan (the “**Plan**”). Each Non-Employee Director will be solely responsible for any tax obligations incurred by such Non-Employee Director as a result of the cash payments paid and equity awards granted to such Non-Employee Director under this Policy.

## 1. ANNUAL CASH COMPENSATION

### *Annual Cash Retainer*

Each Non-Employee Director will be paid an annual cash retainer of \$50,000. There are no per-meeting attendance fees for attending Board or shareholder meetings.

### *Additional Chair and Lead Director Annual Cash Retainer*

Each Non-Employee Director who serves as a lead director or chairman of a committee of the Board will be paid additional annual cash fees as follows:

Lead Independent Director:	\$35,000
Audit Committee Chair:	\$20,000
Compensation Committee Chair:	\$15,000
Nominating and Corporate Governance Committee Chair:	\$10,000

All cash compensation will be paid quarterly in arrears.

The Board in its discretion may change and otherwise revise the terms of the cash compensation granted under this Policy, including, without limitation, the amount of cash compensation to be paid, on or after the date the Board determines to make any such change or revision.

## 2. EQUITY COMPENSATION

Non-Employee Directors will be entitled to receive all types of Awards (excluding Incentive Stock Options) under the Plan (or the applicable equity plan in place at the time of grant). All grants of Awards to Non-Employee Directors pursuant to Section 2 of this Policy will be

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automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions and subject to Sections 4.5 and 13 of the Plan:

- a. Initial Award. Each individual who first becomes a Non-Employee Director after the most recent update to this Policy will be granted an Award (the “**Initial Award**”), which grant will be effective on the date on which such individual first becomes a Non-Employee Director, whether through election by the shareholders of the Company or appointment by the Board to fill a vacancy. The Initial Award will have an estimated fair value of \$400,000, using valuation methodologies deemed appropriate by the Compensation Committee of the Board or the Board from time to time, in light of commercial considerations deemed necessary to fulfill the goals set forth in this Policy and to align directors with shareholder interests. Fifty percent (50%) of the estimated fair value target of the Initial Award will be comprised of Nonstatutory Stock Options, and fifty percent (50%) of the estimated fair value target of the Initial Award will be comprised of Restricted Stock Units.
  - b. Annual Award. Each Non-Employee Director will be granted an Award (an “**Annual Award**”), on the date of the first Board meeting of each calendar year (unless the Board determines to award them on a different date), beginning with 2021, following the election or appointment of such Non-Employee Director to the Board; provided that any Non-Employee Director who is not continuing as a Director during the calendar year following such Board meeting will not receive an Annual Award with respect to such meeting. The Annual Award will have an estimated fair value of \$200,000 using valuation methodologies deemed appropriate by the Compensation Committee of the Board or the Board from time to time, in light of commercial considerations deemed necessary to fulfill the goals set forth in this Policy and to align directors with shareholder interests. Fifty percent (50%) of the estimated fair value target of the Annual Award will be comprised of Nonstatutory Stock Options, and fifty percent (50%) of the estimated fair value target of the Annual Award will be comprised of Restricted Stock Units.
  - c. Vesting. Subject to Sections 2(d) and 5 below: (a) the Nonstatutory Stock Option portion of each Initial Award will vest over four (4) years, with 25% vesting on the one (1)-year anniversary of the vesting commencement date and monthly thereafter for thirty-six (36) months; (b) the Restricted Stock Unit portion of each Initial Award will vest annually over four (4) years following the vesting commencement date; (c) the Nonstatutory Stock Option portion of each Annual Award will vest monthly over one (1) year following the vesting commencement date; and (d) the Restricted Stock Unit portion of each Annual Award will vest entirely on the one (1) year anniversary of the vesting commencement date.
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- d. Change in Control. In the event of a Change in Control, each Non-Employee Director will fully vest in his or her Initial Award and/or each Annual Award provided that the Non-Employee Director continues to provide Service through such date.

**3. TRAVEL EXPENSES**

Each Non-Employee Director's reasonable, customary and documented travel expenses to Board meetings will be reimbursed by the Company.

**4. ADDITIONAL PROVISIONS**

All provisions of the Plan not inconsistent with this Policy will apply to Awards granted to Non-Employee Directors.

**5. ADJUSTMENTS**

In the event that any dividend or other distribution (whether in the form of cash, Stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Stock or other securities of the Company or other change in the corporate structure of the Company affecting the Stock occurs, the Board, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Policy, will adjust the number of shares of Stock issuable pursuant to Awards granted under this Policy.

**6. LIMITATIONS**

No Non-Employee Director may be issued in any fiscal year cash payments (including the fees under Section 1 above) and Awards (including Awards under Section 2 above) with aggregate value greater than \$600,000, increased to \$750,000 in the fiscal year of his or her initial service as a Non-Employee Director. Any Awards or other compensation granted to an individual for his or her services as an employee, or for his or her services as a consultant other than a Non-Employee Director, will be excluded for purposes of the limitations under this Section 6.

**7. SECTION 409A**

In no event will cash compensation or expense reimbursement payments under this Policy be paid after the later of (a) the fifteenth (15th) day of the third (3rd) month following the end of the Company's fiscal year in which the compensation is earned or expenses are incurred, as applicable, or (b) the fifteenth (15th) day of the third (3rd) month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and guidance thereunder, as may be amended from time to time (together, "**Section 409A**"). It is the intent of this Policy that this Policy and all payments hereunder be exempt from or otherwise comply with the requirements of Section 409A so that none of the compensation to be provided hereunder will be subject to the

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additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company reimburse a Non-Employee Director for any taxes imposed or other costs incurred as a result of Section 409A.

## **8. REVISIONS**

The Board or any committee designated by the Board may amend, alter, suspend or terminate this Policy at any time and for any reason. No amendment, alteration, suspension or termination of this Policy will materially impair the rights of a Non-Employee Director with respect to compensation that already has been paid or awarded, unless otherwise mutually agreed between the Non-Employee Director and the Company. Termination of this Policy will not affect the Board's or the Compensation Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted under the Plan pursuant to this Policy prior to the date of such termination.

**ADAPTIVE BIOTECHNOLOGIES CORPORATION**  
**STOCK OPTION AGREEMENT**  
**(For Non-U.S. Participants)**

Adaptive Biotechnologies Corporation (the “*Company*”) has granted to the Participant named in the *Notice of Grant of Stock Option* (the “*Grant Notice*”) to which this Stock Option Agreement (the “*Option Agreement*”) is attached an option (the “*Option*”) to purchase certain shares of Stock upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Adaptive Biotechnologies Corporation 2019 Equity Incentive Plan (the “*Plan*”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Option Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Option (the “*Plan Prospectus*”), (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, this Option Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Option Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **U.S. TAX STATUS OF OPTION.**

For US tax purposes, to the extent applicable, this Option is intended to be a Nonstatutory Stock Option and shall not be treated as an Incentive Stock Option within the meaning of Section 422(b) of the Code.

3. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Option Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Option shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Option, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to

the Plan or the Option or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

#### 4. **EXERCISE OF THE OPTION.**

4.1 **Right to Exercise.** Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Shares less the number of shares previously acquired upon exercise of the Option. In no event shall the Option be exercisable for more shares than the Number of Option Shares, as adjusted pursuant to Section 9.

4.2 **Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the “**Exercise Notice**”) in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant’s election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Participant’s investment intent with respect to such shares as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice and the aggregate Exercise Price.

#### 4.3 **Payment of Exercise Price.**

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Company and subject to the limitations contained in Section 4.3(b), by means of (1) a Cashless Exercise, or (2) a Net-Exercise; or (iii) by any combination of the foregoing.

(b) **Limitations on Forms of Consideration.** The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to

establish, decline to approve or terminate any program or procedure providing for payment of the Exercise Price through any of the means described below, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

(i) **Cashless Exercise.** A “*Cashless Exercise*” means the delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker in a form acceptable to the Company providing for the assignment to the Company of the proceeds of a sale or loan with respect to shares of Stock acquired upon the exercise of the Option in an amount not less than the aggregate Exercise Price for such shares (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

(ii) **Net-Exercise.** A “*Net-Exercise*” means the delivery of a properly executed Exercise Notice electing a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to the Participant upon the exercise of the Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate Exercise Price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Exercise Price not satisfied by such reduction in the number of whole shares to be issued. Following a Net-Exercise, the number of shares remaining subject to the Option, if any, shall be reduced by the sum of (1) the net number of shares issued to the Participant upon such exercise, and (2) the number of shares deducted by the Company for payment of the aggregate Exercise Price.

#### 4.4

#### **Tax Withholding.**

(a) **In General.** At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company Group, if any, which arise in connection with the Option, including, without limitation, obligations arising upon (i) the grant, vesting or exercise, in whole or in part, of the Option, (ii) the transfer, in whole or in part, of any shares acquired upon exercise of the Option, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon exercise of the Option (“*Tax Obligations*”). The Option is not exercisable unless the Tax Obligations of the Participating Company Group are satisfied. Accordingly, the Company shall have no obligation to deliver shares of Stock until the Tax Obligations of the Participating Company Group have been satisfied by the Participant. The Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant’s responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option and (b) does not commit to structure the terms of the grant or any other aspect of the Option to reduce or eliminate the Participant’s liability for Tax Obligations.

(b) **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations upon exercise of the Option by deducting from the shares of Stock otherwise issuable to the Participant upon such exercise a number of whole shares having a fair market value, as determined by the Company as of the date of exercise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates if required to avoid liability classification of the Option under generally accepted accounting principles in the United States.

4.5 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, a certificate for the shares as to which the Option is exercised shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.6 **Restrictions on Grant of the Option and Issuance of Shares.** The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. **THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.** The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise of the Option.

5. **NONTRANSFERABILITY OF THE OPTION.**

During the lifetime of the Participant, the Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

6. **TERMINATION OF THE OPTION.**

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. **EFFECT OF TERMINATION OF SERVICE.**

7.1 **Option Exercisability.** The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate.

(a) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(c) **Termination for Cause.** Notwithstanding any other provision of this Option Agreement to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(d) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent

unexercised and exercisable for Vested Shares by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

7.2 **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.6, the Option shall remain exercisable until the later of (a) thirty (30) days after the date such exercise first would no longer be prevented by such provisions, or (b) the end of the applicable time period under Section 7.1, but in any event no later than the Option Expiration Date.

8. **EFFECT OF CHANGE IN CONTROL.**

In the event of a Change in Control, the Option shall be subject to the definitive agreement entered into by the Company in connection with the Change in Control. Except to the extent that the Committee determines to cash out the Option in accordance with Section 13.1(c) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the Option or substitute for all or any portion of the Option a substantially equivalent option for the Acquiror's stock. For purposes of this Section, the Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of the Plan and this Option Agreement, for each share of Stock subject to such portion of the Option immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option, for each share of Stock subject to the Option, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Option shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that the Option is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of the Change in Control.

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the shareholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a



dividend or distribution to the shareholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number, Exercise Price and kind of shares subject to the Option, in order to prevent dilution or enlargement of the Participant's rights under the Option. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number and the Exercise Price shall be rounded up to the nearest whole cent. In no event may the Exercise Price be decreased to an amount less than the par value, if any, of the stock subject to the Option. The Committee in its sole discretion, may also make such adjustments in the terms of the Option to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate. All adjustments pursuant to this Section shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **RIGHTS AS A SHAREHOLDER.**

The Participant shall have no rights as a shareholder with respect to any shares covered by the Option until the date of the issuance of the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9.

11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section.

12. **SERVICE CONDITIONS.**

In accepting the Option, the Participant acknowledges and agrees that:

(a) Any notice period mandated under applicable law shall not be treated as Service for the purpose of determining the vesting of the Option; and the Participant's right to vesting of shares of Stock in settlement of the Option after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under applicable law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Option Agreement.

- (c) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past.
- (d) All decisions with respect to future Option grants, if any, will be at the sole discretion of the Company.
- (e) The Participant's participation in the Plan shall not create a right to further Service with the Company or another Participating Company and shall not interfere with the ability of with the Company or another Participating Company to terminate the Participant's Service at any time, with or without cause, subject to applicable law.
- (f) The Participant is voluntarily participating in the Plan.
- (g) The Option is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or any Participating Company, and which is outside the scope of the Participant's employment contract, if any.
- (h) The Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service options, pension or retirement benefits or similar payments.
- (i) In the event that the Participant is not an employee of a Participating Company, the Option grant will not be interpreted to form an employment contract or relationship with a Participating Company.
- (j) The future value of the underlying shares of Stock is unknown and cannot be predicted with certainty. The value of the shares of Stock may increase or decrease.
- (k) No claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or shares of Stock and the Participant irrevocably releases the Participating Company Group from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Option Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

### 13. **DATA PRIVACY.**

13.1 **Participants outside U.S., EU, EEA and UK.** This Section 13.1 applies only if the Participant resides outside of the United States, the EU, the EEA, and UK:

- (a) **Consent.** The Participant voluntarily consents to the collection, use, disclosure and transfer to the United States and other jurisdictions, in electronic or other form, of his or her personal data as described in this Option Agreement and any other award materials ("**Data**") by and among, as applicable, the Participating Company Group for the exclusive purpose of implementing, administering, and managing his or her participation in the

Plan. If the Participant does not choose to participate in the Plan, his or her employment status or service with the Participating Company Group will not be adversely affected.

(b) **Information Collected.** The Participant understands that the Participating Company Group may collect, maintain, process and disclose, certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all equity awards or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the exclusive purpose of implementing, administering and, managing the Plan.

(c) **Transfers.** The Participant understands that Data will be transferred to one or more service provider(s) selected by the Company, which may assist the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different, including less stringent, data privacy laws and protections than his or her country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company and any other possible recipients that may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan.

(d) **Time Period; Revocation of Consent.** The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan, including to maintain records regarding participation. The Participant understands that if he or she resides in certain jurisdictions, to the extent required by applicable law, he or she may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting these Options, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing these consents on a purely voluntary basis. If the Participant does not consent or if he or she later seeks to revoke his or her consent, his or her engagement as a service provider with the Participating Company Group will not be adversely affected; the only consequence of refusing or withdrawing his or her consent is that the Company will not be able to grant him or her Option under the Plan or administer or maintain Option. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain the Option). The Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.

13.2 **Participants residing in EU, EEA or UK.** This Section 13.2 applies if the Participant resides in the EU, the EEA or the UK, or if EU privacy laws are otherwise applicable:

(a) **Data Collected and Purposes of Collection.** The Participant understands that the Company, acting as controller, as well as the employing Participating Company, will process, to the extent permissible under applicable law, certain personal information about him or her, including name, home address and telephone number, information necessary to process the Option (*e.g.*, mailing address for a check payment or bank account wire transfer information), date of birth, social insurance number or other identification number, salary, nationality, job title, employment location, details of all Options granted, canceled, vested, unvested or outstanding in his or her favor, and where applicable service termination date and reason for termination, any capital shares or directorships held in the Company (where needed for legal or tax compliance), and any other information necessary to process mandatory tax withholding and reporting (all such personal information is referred to as “**Data**”). The Data is collected from the Participant, and from the Participating Company Group, for the purpose of implementing, administering and managing the Plan pursuant to its terms. The legal bases (that is, the legal justification) for processing the Data is that it is necessary to perform, administer and manage the Plan pursuant to this Option Agreement between the Participant and the Company, and in Company’s legitimate interests to comply with applicable non-EU laws when performing, administering and managing the Plan, subject to his or her interest and fundamental rights. The Data must be provided in order for the Participant to participate in the Plan and for the parties to this Option Agreement to perform their respective obligations thereunder. If the Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Option Agreement.

(b) **Transfers and Retention of Data.** The Participant understands that the Data will be transferred to and among the Participating Company Group, as well as service providers (such as stock administration providers, brokers, transfer agents, accounting firms, payroll processing firms or tax firms), for the purposes explained above, which are necessary to allow the Company to perform this Option Agreement. The Participant understands that the recipients of the Data may be located in the United States and in other jurisdictions outside of the European Economic Area where we or our service providers have operations. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Participating Company Group make transfers of Data outside of the European Economic Area, those transfers will be made solely to the extent necessary to perform this Option Agreement and take necessary actions in connection with such performance. In addition, service providers may commit to provide adequate safeguards for the transferred Data, such as standard contractual clauses approved by the European Commission. In that case, the Participant may obtain details of the transfers by contacting [privacy@adaptivebiotech.com](mailto:privacy@adaptivebiotech.com).

(c) **Participant’s Rights in Respect of Data.** The Participant has the right to access his or her Data being processed by the Company as well as understand why the Company is processing such Data. Additionally, subject to applicable law, the Participant is entitled to have any inadequate, incomplete or incorrect Data corrected (that is, rectified). Further, subject to applicable law, and under certain circumstances, the Participant

may be entitled to the following rights in regard to his or her Data: (i) to object to the processing of Data; (ii) to have his or her Data erased, such as where it is no longer necessary in relation to the purposes for which it was processed; (iii) to restrict the processing of his or her Data so that it is stored but not actively processed (*e.g.*, while the Company assesses whether the Participant is entitled to have Data erased); and (iv) to port a copy of the Data provided pursuant to this Option Agreement or generated by him or her, in a common machine-readable format. To exercise his or her rights, the Participant may contact the applicable human resources representative. The Participant may also contact the relevant data protection supervisory authority, as he or she has the right to lodge a complaint.

14. **MISCELLANEOUS PROVISIONS.**

14.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Option or any unexercised portion thereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Option Agreement shall be effective unless in writing.

14.2 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

14.3 **Binding Effect.** This Option Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

14.4 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery and Signature.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's shareholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a

Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. Any and all such documents and notices may be electronically signed.

(b)

***Consent to Electronic Delivery and Signature.***

The Participant acknowledges that the Participant has read Section 14.4(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Section 14.4(a). The Participant agrees that any and all such documents requiring a signature may be electronically signed and that such electronic signature shall have the same effect as handwritten signature for the purposes of validity, enforceability and admissibility. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third-party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 14.4(a) or may change the electronic mail address to which such documents are to be delivered (if the Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 14.4(a).

14.5 **Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with any Superseding Agreement and any change of control agreement, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, the Option Agreement and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

14.6 **Applicable Law.** This Option Agreement shall be governed by the laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be performed entirely within the State of Washington.

14.7 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.8 **Country-Specific Terms, Conditions, and Notices.** Notwithstanding any provisions in this Option Agreement, the Option grant shall be subject to any special terms and conditions set forth in any appendix to this Option Agreement for the Participant's country (the "**Appendix**"). Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant unless determined otherwise by the Company.

APPENDIX TO  
**ADAPTIVE BIOTECHNOLOGIES CORPORATION  
STOCK OPTION AGREEMENT  
FOR NON-US PARTICIPANTS**

This Appendix includes additional notifications, terms and conditions that govern the Option granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or this Option Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Option vests or is exercised under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Option, or is considered a resident of another country for applicable law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

**CANADA**

***Terms and Conditions***

**Termination of Service.**

The following provision supplements Section 7 of this Option Agreement:

Except as required by applicable legislation, for purposes of the Option, the Participant's Service will be considered terminated (regardless of the reason for such termination and whether or not later found to be invalid or in breach of labor laws in the jurisdiction where the Participant is providing services or the terms of the Participant's service agreement, if any) as of the date that is the earliest of (1) the date the Participant's service relationship is terminated, (2) the date the Participant receives notice of termination from employing Participating Company, or (3) the date the Participant is no longer actively providing service to the Company or any Participating Company, regardless of any notice period or period of pay in lieu of such notice required under applicable law (including, but not limited to statutory law, regulatory law and/or common law). The administrator shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of this Option (including whether the Participant may still be considered to be providing services while on a leave of absence).

**Data Privacy.**

The following provision supplements Section 13 of this Option Agreement:

The Participant hereby authorizes the Company and its representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Participating Company Group and any stock plan service provider that may be selected by the Company to assist with the Plan to disclose and discuss the Plan with their respective advisors. The Participant further authorizes the Participating Company Group to record such information and to keep such information in the Participant's employee file.

*The following provisions apply if Participant is a resident of Quebec:*

**Language Consent.**

The parties to this Option Agreement acknowledge that it is their express wish that this Option Agreement, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

**Consentement relatif à la langue utilisée**

Les parties reconnaissent avoir exigé que cette convention («Agreement») soit rédigée en anglais, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente.

**Notifications****Securities Law Information.**

The Participant is permitted to sell shares of Stock acquired through the Plan through the designated broker appointed by the Company, provided the resale of shares of Stock acquired under the Plan takes place outside of Canada, including, if applicable, through the facilities of a stock exchange on which the shares of Stock are listed.

**Foreign Asset/Account Reporting Information.**

Canadian residents are required to report any foreign property (e.g., shares of Stock acquired under the Plan and possibly unvested Option) on form T1135 (Foreign Income Verification Statement) if the total cost of their foreign property exceeds C\$100,000 at any time in the year. It is the Participant's responsibility to comply with these reporting obligations, and the Participant should consult with his or her personal tax advisor in this regard.

**Share Settlement of Option.**

Notwithstanding anything to the contrary in the Plan or this Option Agreement, if this Option is granted to a Canadian Participant it may only be settled in shares of Stock and shall not be settled in cash.



## GERMANY

***Notifications*****Securities Law Information.**

The grant of the Option under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Germany.

**Exchange Control Information.**

If the Participant remits proceeds in excess of the legally designated amount (currently at €12,500) out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that the Participant makes or receives a payment in excess of this amount, the Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, the Participant must also report on an annual basis in the unlikely event that the Participant holds shares of Stock exceeding 10% of the total voting capital of the Company.

***Terms and Conditions*****Prohibition on Insider Dealing.**

The Participant should be aware of the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) apply in Germany, which may affect transactions under the Plan such as e.g. the subscription or participation, the suspension, the cancellation or an amending order, the acquisition or sale of shares of Stock acquired under the Plan, if the Participant has inside information regarding the Company. The Participant is advised to determine carefully whether he or she has inside information in respect of the Company and whether and to what extent insider dealing rules can apply to him or her. In case of uncertainty, the Company recommends that the Participant consults with a legal advisor.

**Limitation of Liability.**

The Participant is responsible for compliance with any laws to be observed by the Participant in person in conjunction with the participation in the Plan. The Company cannot be held liable if the Participant violates German law or any other applicable rules to be complied with by the Participant in conjunction with the participation in the Plan including but not limited to insider dealing restrictions under the Market Abuse Regulation.

**IRELAND*****Notifications*****Securities Law Information.**

The grant of the Option under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Ireland.

**Director Notification Requirement.**

If the Participant is a director, shadow director or secretary of an Irish Participating Company, the Participant is required to notify such Irish Participating Company in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Options, shares of Stock, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director, shadow director or secretary of an Irish Participating Company if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

**LUXEMBOURG*****Notifications*****Exchange Control Information.**

The Participant is required to report any inward remittances of funds to the *Banque Central de Luxembourg* and/or the *Service Central de La Statistique et des Études Économiques* within 15 working days following the month during the transaction occurred. If a Luxembourg financial institution is involved in the transaction, it generally will fulfill the reporting obligation on the Participant's behalf. However, as long as the issuer is not a Luxembourg resident financial company, the statistical reporting obligation should not apply.

**Securities Law Information.**

The grant of the Option under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Luxembourg.

**NETHERLANDS*****Notifications*****Securities Law Information.**

The grant of the Option under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the Netherlands.

**Prohibition Against Insider Trading.**

The Participant should be aware of the Dutch insider trading rules, which may affect the sale of shares of Stock acquired under this Option Agreement. In particular, the Participant may be prohibited from effecting certain share transactions if the Participant has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Participant is advised to read the discussion carefully to determine whether the insider rules could apply to him or her. If it is uncertain whether the insider rules apply, the Company recommends that the Participant consult with a legal advisor. The Company cannot be held liable if the Participant violates the Dutch insider trading rules. The Participant is responsible for ensuring the Participant's compliance with these rules.

Dutch securities laws prohibit insider trading. As of 3 July 2016, the European Market Abuse Regulation (MAR), is applicable in the Netherlands. For further information, the Participant is referred to the website of the Authority for the Financial Markets (AFM): <https://www.afm.nl/en/professionals/onderwerpen/marktmisbruik>.

Given the broad scope of the definition of insider information, certain employees of the Company working at its Dutch Participating Company may have insider information and thus are prohibited from making a transaction in securities in the Netherlands at a time when they have such insider information. By entering into and participating in this Option Agreement, the Participant acknowledges having read and understood the notification above and acknowledges that it is the Participant's responsibility to comply with the Dutch insider trading rules, as discussed herein.

**ADAPTIVE BIOTECHNOLOGIES CORPORATION**  
**RESTRICTED STOCK UNITS AGREEMENT**  
**(For Non-U.S. Participants)**

Adaptive Biotechnologies Corporation has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units (each a “**Unit**”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Adaptive Biotechnologies Corporation 2019 Equity Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

### 3. THE AWARD.

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

### 4. VESTING OF UNITS.

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

### 5. COMPANY REACQUISITION RIGHT.

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant's Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units ("**Unvested Units**"), and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the shareholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with

any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. **SETTLEMENT OF THE AWARD.**

6.1 **Issuance of Shares of Stock.** Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an “**Original Settlement Date**”); provided, however, that if the Tax Obligations (as defined herein) of a Participating Company, if any, will not be satisfied by the share withholding method described in Section 7.3 and the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, then the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company’s Trading Compliance Policy.

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company’s transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. **TAX WITHHOLDING.**

7.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (i) the grant, vesting, in whole or in part, of the Units, (ii) the transfer, in whole or in part, of any shares acquired upon vesting of the Units, (iii) the operation of any law or regulation providing for the imputation of interest, or (iv) the lapsing of any restriction with respect to any shares acquired upon vesting of the Units ("**Tax Obligations**"). The Units are not vested unless the Tax Obligations of the Participating Company Group are satisfied. Accordingly, the Company shall have no obligation to deliver shares of Stock until the Tax Obligations of the Participating Company have been satisfied by the Participant. The Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant's responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Units and (b) does not commit to structure the terms of the grant or any other aspect of the Units to reduce or eliminate the Participant's liability for Tax Obligations.

7.2 **Assignment of Sale Proceeds.** Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's Tax Obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's Tax Obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the Tax Obligations arise, not in excess of the amount of such Tax Obligations determined by the applicable minimum statutory withholding rates if required to avoid liability classification of the Award under generally accepted accounting principles in the United States.

8. **EFFECT OF CHANGE IN CONTROL.**

In the event of a Change in Control, the Award shall be subject to the definitive agreement entered into by the Company in connection with the Change in Control. Except to the extent that the Committee determines to cash out the Award in accordance with Section 13.1(c) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the outstanding Units or

substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Award shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that Units subject to the Award are neither assumed or continued by the Acquiror in connection with the Change in Control nor settled as of the time of the Change in Control.

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the shareholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the shareholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **RIGHTS AS A SHAREHOLDER.**

The Participant shall have no rights as a shareholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9.



11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. **COMPLIANCE WITH SECTION 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

**12.1 Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

**12.2 Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

**12.3 Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and shareholders from any and all claims that may arise from or relate to any

tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

### 13. SERVICE CONDITIONS.

In accepting the Units, the Participant acknowledges and agrees that:

(a) Any notice period mandated under applicable law shall not be treated as Service for the purpose of determining the vesting of the Units; and the Participant's right to vesting of shares of Stock in settlement of the Units after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under applicable law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(c) The grant of the Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Units, or benefits in lieu of Units, even if Units have been granted repeatedly in the past.

(d) All decisions with respect to future Units grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with the Company or another Participating Company and shall not interfere with the ability of with the Company or another Participating Company to terminate the Participant's Service at any time, with or without cause, subject to applicable law.

(f) The Participant is voluntarily participating in the Plan.

(g) The Units are extraordinary items that do not constitute compensation of any kind for Service of any kind rendered to the Company or any Participating Company, and which is outside the scope of the Participant's employment contract, if any.

(h) The Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service options, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of a Participating Company, the Units grant will not be interpreted to form an employment contract or relationship with a Participating Company.

(j) The future value of the underlying shares of Stock is unknown and cannot be predicted with certainty. The value of the shares of Stock may increase or decrease.

(k) No claim or entitlement to compensation or damages arises from termination of the Units or diminution in value of the Units or shares of Stock and the Participant irrevocably releases the Participating Company Group from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

#### 14. DATA PRIVACY.

*The following provisions shall only apply to the Participant if he or she resides outside of the US, the EU, EEA, and UK:*

(a) The Participant voluntarily consents to the collection, use, disclosure and transfer to the United States and other jurisdictions, in electronic or other form, of his or her personal data as described in this Agreement and any other award materials ("**Data**") by and among, as applicable, the Participating Company Group for the exclusive purpose of implementing, administering, and managing his or her participation in the Plan. If the Participant does not choose to participate in the Plan, his or her employment status or service with the Participating Company Group will not be adversely affected.

(b) The Participant understands that the Participating Company Group may collect, maintain, process and disclose, certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all equity awards or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the exclusive purpose of implementing, administering and, managing the Plan.

(c) The Participant understands that Data will be transferred to one or more service provider(s) selected by the Company, which may assist the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (*e.g.*, the United States) may have different, including less stringent, data privacy laws and protections than his or her country. The Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential

recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company and any other possible recipients that may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan.

(d) The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan, including to maintain records regarding participation. The Participant understands that if he or she resides in certain jurisdictions, to the extent required by applicable law, he or she may, at any time, request access to Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents given by accepting these Units, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing these consents on a purely voluntary basis. If the Participant does not consent or if he or she later seeks to revoke his or her consent, his or her engagement as a service provider with the Participating Company Group will not be adversely affected; the only consequence of refusing or withdrawing his or her consent is that the Company will not be able to grant him or her Units under the Plan or administer or maintain Units. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan (including the right to retain the Units). The Participant understands that he or she may contact his or her local human resources representative for more information on the consequences of his or her refusal to consent or withdrawal of consent.

*The following provisions shall only apply to the Participant if he or she resides in the EU, EEA, UK, or EU privacy laws are otherwise applicable:*

(a) **Data Collected and Purposes of Collection.** The Participant understands that the Company, acting as controller, as well as the employing Participating Company, will process, to the extent permissible under applicable law, certain personal information about him or her, including name, home address and telephone number, information necessary to process the Units (*e.g.*, mailing address for a check payment or bank account wire transfer information), date of birth, social insurance number or other identification number, salary, nationality, job title, employment location, details of all Units granted, canceled, vested, unvested or outstanding in his or her favor, and where applicable service termination date and reason for termination, any capital shares or directorships held in the Company (where needed for legal or tax compliance), and any other information necessary to process mandatory tax withholding and reporting (all such personal information is referred to as “**Data**”). The Data is collected from the Participant, and from the Participating Company Group, for the purpose of implementing, administering and managing the Plan pursuant to its terms. The legal bases (that is, the legal justification) for processing the Data is that it is necessary to perform, administer and manage the Plan pursuant to this Agreement between the Participant and the Company, and in Company’s legitimate interests to comply with applicable non-EU laws when performing, administering and managing the Plan, subject to his or her interest and fundamental rights. The Data must be provided in order for the Participant to participate in the Plan and for the parties to this Agreement to perform their respective obligations

thereunder. If the Participant does not provide Data, he or she will not be able to participate in the Plan and become a party to this Agreement.

(b) **Transfers and Retention of Data.** The Participant understands that the Data will be transferred to and among the Participating Company Group, as well as service providers (such as stock administration providers, brokers, transfer agents, accounting firms, payroll processing firms or tax firms), for the purposes explained above, which are necessary to allow the Company to perform this Agreement. The Participant understands that the recipients of the Data may be located in the United States and in other jurisdictions outside of the European Economic Area where we or our service providers have operations. The United States and some of these other jurisdictions have not been found by the European Commission to have adequate data protection safeguards. If the Participating Company Group make transfers of Data outside of the European Economic Area, those transfers will be made solely to the extent necessary to perform this Agreement and take necessary actions in connection with such performance. In addition, service providers may commit to provide adequate safeguards for the transferred Data, such as standard contractual clauses approved by the European Commission. In that case, the Participant may obtain details of the transfers by contacting [privacy@adaptivebiotech.com](mailto:privacy@adaptivebiotech.com).

(c) **The Participant's Rights in Respect of Data.** The Participant has the right to access his or her Data being processed by the Company as well as understand why the Company is processing such Data. Additionally, subject to applicable law, the Participant is entitled to have any inadequate, incomplete or incorrect Data corrected (that is, rectified). Further, subject to applicable law, and under certain circumstances, the Participant may be entitled to the following rights in regard to his or her Data: (i) to object to the processing of Data; (ii) to have his or her Data erased, such as where it is no longer necessary in relation to the purposes for which it was processed; (iii) to restrict the processing of his or her Data so that it is stored but not actively processed (e.g., while the Company assesses whether the Participant is entitled to have Data erased); and (iv) to port a copy of the Data provided pursuant to this Agreement or generated by him or her, in a common machine-readable format. To exercise his or her rights, the Participant may contact the applicable human resources representative. The Participant may also contact the relevant data protection supervisory authority, as he or she has the right to lodge a complaint.

15. **MISCELLANEOUS PROVISIONS.**

15.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

15.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except

transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

15.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

15.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

15.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery and Signature.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's shareholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. Any and all such documents and notices may be electronically signed.

(b) **Consent to Electronic Delivery and Signature.** The Participant acknowledges that the Participant has read Section 15.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 15.5(a). The Participant agrees that any and all such documents requiring a signature may be electronically signed and that such electronic signature shall have the same effect as handwritten signature for the purposes of validity, enforceability and admissibility. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her

consent to the electronic delivery of documents described in Section 15.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.5(a).

15.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any Superseding Agreement and any change of control agreement, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

15.7 **Applicable Law.** This Agreement shall be governed by the laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be performed entirely within the State of Washington.

15.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15.9 **Country-Specific Terms, Conditions, and Notices.** Notwithstanding any provisions in this Agreement, the Units grant shall be subject to any special terms and conditions set forth in any appendix to this Agreement for the Participant's country (the "**Appendix**"). Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant unless determined otherwise by the Company.

## APPENDIX TO

**ADAPTIVE BIOTECHNOLOGIES CORPORATION  
RESTRICTED STOCK UNITS AGREEMENT****FOR NON-US PARTICIPANTS**

This Appendix includes additional notifications, terms and conditions that govern the Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or this Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Units vest under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Units, or is considered a resident of another country for applicable law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

**CANADA*****Terms and Conditions***

**Termination of Service.** Notwithstanding any provision of the Plan or this Agreement, the following provision shall apply to Participants employed in Canada on the date on which notification of termination (for any reason, with or without cause) or resignation from Service is delivered:

For purposes of this Agreement, the Participant's termination date shall mean the later of (i) the date upon which the Participant ceases to perform Services for the Participating Company Group following the provision of such notification of termination or resignation from Service and (ii) the end of any minimum period of notice of termination (if any) required by applicable employment or labour standards legislation. For clarity, unless otherwise expressly provided in this Agreement or determined by the Participating Company Group, no Units will vest under the Plan following the Participant's termination date, and the termination date will not be extended by any period of deemed notice of termination under contract or at common or civil law in respect of which the Participant may receive pay in lieu of notice of termination or damages in lieu of such notice. The Participant will not be entitled to any further payments in respect of the value of any Units that have not yet vested as of the Participant's termination date and no Units or any pro-rated portion thereof shall be included in any entitlement to any pay in lieu of notice of termination or damages in lieu of such notice. Subject to any applicable statutory notice



period, the Administrator shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the grant of Units.

### **Data Privacy.**

The following provision supplements Section 14 of this Agreement:

The Participant hereby authorizes the Company and its representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Participating Company Group and any stock plan service provider that may be selected by the Company to assist with the Plan to disclose and discuss the Plan with their respective advisors. The Participant further authorizes the Participating Company Group to record such information and to keep such information in the Participant's employee file.

*The following provisions apply if Participant is a resident of Quebec:*

### **Language Consent.**

The parties to this Agreement acknowledge that it is their express wish that this Agreement, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

### **Consentement relatif à la langue utilisée**

Les parties reconnaissent avoir exigé que cette convention («Agreement») soit rédigée en anglais, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente.

### ***Notifications***

### **Securities Law Information.**

The Participant is permitted to sell shares of Stock acquired through the Plan through the designated broker appointed by the Company, provided the resale of shares of Stock acquired under the Plan takes place outside of Canada, including, if applicable, through the facilities of a stock exchange on which the shares of Stock are listed.

### **Foreign Asset/Account Reporting Information.**

Canadian residents are required to report any foreign property (e.g., shares of Stock acquired under the Plan and possibly unvested Units) on form T1135 (Foreign Income Verification Statement) if the total cost of their foreign property exceeds C\$100,000 at any time in the year. It is the Participant's responsibility to comply with these reporting obligations, and the Participant should consult with his or her personal tax advisor in this regard.

**Share Settlement of Units.**

Notwithstanding anything to the contrary in the Plan or this Agreement, Units granted to Canadian Participants shall only be settled in shares of Stock and shall not be settled in cash.

**GERMANY*****Notifications*****Securities Law Information.**

The grant of Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Germany.

**Exchange Control Information.**

If the Participant remits proceeds in excess of the legally designated amount (currently at €12,500) out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that the Participant makes or receives a payment in excess of this amount, the Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, the Participant must also report on an annual basis in the unlikely event that the Participant holds shares of Stock exceeding 10% of the total voting capital of the Company.

***Terms and Conditions*****Prohibition on Insider Dealing.**

The Participant should be aware of the insider dealing rules of the Regulation (EU) No 596/2014 of the European Parliament and Council (Market Abuse Regulation) apply in Germany, which may affect transactions under the Plan such as e.g. the subscription or participation, the suspension, the cancellation or an amending order, the acquisition or sale of shares of Stock acquired under the Plan, if the Participant has inside information regarding the Company. The Participant is advised to determine carefully whether he or she has inside information in respect of the Company and whether and to what extent insider dealing rules can apply to him or her. In case of uncertainty, the Company recommends that the Participant consults with a legal advisor.

**Limitation of Liability.**

The Participant is responsible for compliance with any laws to be observed by the Participant in person in conjunction with the participation in the Plan. The Company cannot be held liable if the Participant violates German law or any other applicable rules to be complied with by the

Participant in conjunction with the participation in the Plan including but not limited to insider dealing restrictions under the Market Abuse Regulation.

## IRELAND

### *Notifications*

#### **Securities Law Information.**

The grant of Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Ireland.

#### **Director Notification Requirement.**

If the Participant is a director, shadow director or secretary of an Irish Participating Company, the Participant is required to notify such Irish Participating Company in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Units, shares of Stock, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director, shadow director or secretary of an Irish Participating Company if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

## LUXEMBOURG

### *Notifications*

#### **Exchange Control Information.**

The Participant is required to report any inward remittances of funds to the *Banque Central de Luxembourg* and/or the *Service Central de La Statistique et des Études Économiques* within 15 working days following the month during the transaction occurred. If a Luxembourg financial institution is involved in the transaction, it generally will fulfill the reporting obligation on the Participant's behalf. However, as long as the issuer is not a Luxembourg resident financial company, the statistical reporting obligation should not apply.

#### **Securities Law Information.**

The grant of Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in Luxembourg.

## NETHERLANDS

### *Notifications*

**Securities Law Information.**

The grant of Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Regulation as implemented in the Netherlands.

**Prohibition Against Insider Trading.**

The Participant should be aware of the Dutch insider trading rules, which may affect the sale of shares of Stock acquired under this Agreement. In particular, the Participant may be prohibited from effecting certain share transactions if the Participant has insider information regarding the Company. Below is a discussion of the applicable restrictions. The Participant is advised to read the discussion carefully to determine whether the insider rules could apply to him or her. If it is uncertain whether the insider rules apply, the Company recommends that the Participant consult with a legal advisor. The Company cannot be held liable if the Participant violates the Dutch insider trading rules. The Participant is responsible for ensuring the Participant's compliance with these rules.

Dutch securities laws prohibit insider trading. As of 3 July 2016, the European Market Abuse Regulation (MAR), is applicable in the Netherlands. For further information, the Participant is referred to the website of the Authority for the Financial Markets (AFM): <https://www.afm.nl/en/professionals/onderwerpen/marktmisbruik>.

Given the broad scope of the definition of insider information, certain employees of the Company working at its Dutch Participating Company may have insider information and thus are prohibited from making a transaction in securities in the Netherlands at a time when they have such insider information. By entering into and participating in this Agreement, the Participant acknowledges having read and understood the notification above and acknowledges that it is the Participant's responsibility to comply with the Dutch insider trading rules, as discussed herein.

**List of Subsidiaries of Adaptive Biotechnologies Corporation**

**Subsidiary**

Spin Technologies, Inc.

**Jurisdiction of Organization**

Delaware

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-232495) pertaining to the Sequentia Inc., 2008 Stock Plan, the Adaptive Biotechnologies Corporation 2009 Equity Incentive Plan, the Adaptive Biotechnologies Corporation 2019 Equity Incentive Plan and the Adaptive Biotechnologies Corporation 2019 Employee Stock Purchase Plan and
- (2) Registration Statement (Form S-3ASR No. 333-239854) of Adaptive Biotechnologies Corporation;

of our reports dated February 24, 2021, with respect to the financial statements of Adaptive Biotechnologies Corporation, and the effectiveness of internal control over financial reporting of Adaptive Biotechnologies Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Seattle, Washington  
February 24, 2021

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chad Robins, certify that:

1. I have reviewed this Annual Report on Form 10-K of Adaptive Biotechnologies Corporation;
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(s) 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)) 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 report is being prepared;
  - b) 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 report based on such evaluation; and
  - c) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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 the 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: February 24, 2021

By: \_\_\_\_\_ /s/ Chad Robins  
Chad Robins  
Chief Executive Officer  
(Principal Executive Officer)







