UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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: 001-38327

Cue Biopharma, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-3324577**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
21 Erie St. Cambridge, Massachusetts	**02139**
(Address of Principal Executive Offices)	**(Zip Code)**

(781) 305-7777
(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☒		

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

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. ☐

As of August 8, 2018 the registrant had 20,133,266 shares of Common Stock ($0.001 par value) outstanding.

CUE BIOPHARMA, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Cue Biopharma, Inc.
Balance Sheets
(Unaudited in thousands, except share amounts)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 45,736	$ 63,534
Restricted cash, short-term	50	50
Prepaid expenses and other current assets	3,464	1,256
Deposits, short term	—	226
Total current assets	49,250	65,065
Property and equipment, net	2,763	1,691
Deposits	777	—
Trademark	175	175
Restricted cash, long term	150	—
Long-term service contract	—	23
Total assets	$ 53,114	$ 66,954
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 546	$ 1,660
Accrued expenses	1,124	1,151
Research and development contract liability, current portion	1,218	2,500
Deferred rent	75	36
Total current liabilities	2,963	5,347
Research and development contract liability, net of current portion	919	—
Total liabilities	3,882	$ 39,231
Stockholders' equity:		
Preferred Stock, $0.001 par value; 10,000,000 shares authorized and 0 shares issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value; 50,000,000 shares authorized; 20,130,766 and 19,459,194 shares issued and outstanding, at June 30, 2018 and December 31, 2017, respectively	20	19
Common stock to be issued	—	1
Additional paid in capital	96,841	94,408
Accumulated deficit	(47,629)	(32,821)
Total stockholders' equity	49,232	61,607
Total liabilities and stockholders' equity	$ 53,114	$ 66,954

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

Cue Biopharma, Inc.
Statements of Operations
(Unaudited in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Collaboration revenue	$ 172	$ —	$ 363	$ —
Operating expenses:				
General and administrative	2,230	996	3,933	1,884
Research and development	5,414	3,417	11,409	5,879
Total operating expenses	7,644	4,413	15,342	7,763
Loss from operations	(7,472)	(4,413)	(14,979)	(7,763)
Other income (expense):				
Interest income	170	-	170	-
Other income (expense), net	2	-	1	-
Total other income (expense)	172	-	171	-
Net loss	$ (7,300)	$ (4,413)	$ (14,808)	$ (7,763)
Net loss per share basic and diluted	$ (0.36)	$ (0.41)	$ (0.74)	$ (0.73)
Weighted average common shares outstanding, basic and diluted	20,130,766	10,635,684	20,100,918	10,635,684

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

Cue Biopharma, Inc.
Statements of Cash Flows
(Unaudited in thousands)

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities		
Net loss	$ (14,808)	$ (7,763)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	362	169
Stock-based compensation expense	2,433	1,250
Deferred rent	39	(55)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,185)	(492)
Deposits	(551)	(101)
Accounts payable	(1,115)	217
Accrued expenses	(27)	155
Research and development contract liability	(363)	—
Net cash used in operating activities	(16,215)	(6,620)
Cash flows from investing activities		
Purchases of property and equipment	(1,433)	(803)
Acquisition of trademark	-	(175)
Net cash used in investing activities	(1,433)	(978)
Cash flows from financing activities		
Payments of deferred public offering costs	—	(22)
Net cash used in financing activities	—	(22)
Net decrease in cash, cash equivalents, and restricted cash	(17,648)	(7,620)
Cash, cash equivalents, and restricted cash at beginning of period	63,584	14,976
Cash, cash equivalents, and restricted cash at end of period	$ 45,936	$ 7,356
Supplemental disclosures of cash flow information:		
Accrual of deferred offering costs	$ —	$ 159

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

1. Organization and Basis of Presentation

Cue Biopharma, Inc. (the "Company") was incorporated in the State of Delaware on December 31, 2014 under the name Imagen Biopharma, Inc., and completed its organization, formation and initial capitalization activities effective as of January 1, 2015. In October 2016, the Company changed its name to Cue Biopharma, Inc. The Company's corporate office and research facilities are located in Cambridge, Massachusetts.

The Company is a pre-clinical biopharmaceutical company that is developing a novel and proprietary class of biologic drugs for the selective modulation of the human immune system to treat a broad range of cancers, chronic infectious diseases, and autoimmune disorders.

The Company is in the development stage and has incurred recurring losses and negative cash flows from operations. As of June 30, 2018, the Company had cash and cash equivalents of approximately $45,736,000. Management believes that current cash and cash equivalents on hand at June 30, 2018 should be sufficient to fund operations for at least the next twelve months from the date of issuance of these financial statements. The future viability of the Company is dependent on its ability to raise additional capital to finance its operations and to fund increased research and development costs in order to seek approval for commercialization of its product candidates. The Company's failure to raise capital as and when needed would have a negative impact on its financial condition and its ability to pursue its business strategies as this capital is necessary for the Company to perform the research and development activities required to develop the Company's product candidates in order to generate future revenue streams.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements as of June 30, 2018, and for the three and six months ended June 30, 2018 and 2017, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by United States Generally Accepted Accounting Principles, ("U.S. GAAP") for complete financial statements. In the opinion of management, these financial statements reflect all adjustments which are necessary for a fair statement of the Company's financial position and results of its operations, as of and for the periods presented. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC on March 29, 2018.

The information presented in the financial statements and related notes as of June 30, 2018, and for the three and six months ended June 30, 2018 and 2017, is unaudited. The December 31, 2017 balance sheet included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including notes, required by U.S. GAAP for complete financial statements.

Interim results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018, or any future periods.

Reclassification

Certain amounts previously reported in current liabilities for the prior period have been reclassified to the current period presentation to segregate accounts payable and accrued liabilities to conform with current period presentation. Also, certain amounts previously reported in research and development contract advances have been reclassified to the current period presentation to combine research and development contract advances and prepaid expenses. In addition, certain amounts previously reported as reductions to research and development expenses have been reclassified to collaboration revenue to conform with current period presentation. There was no impact to reported net loss.

The reclassifications did not have a material impact on previously reported financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Significant estimates include the accounting for revenue recognition, collaboration agreements, potential liabilities, the assumptions utilized in valuing stock-based compensation issued for services, the realization of deferred tax assets, and the impairment of long-lived assets and intangibles. Actual results could differ from those estimates.

Risks and Uncertainties

The Company's operations are subject to a number of factors that may affect its operating results and financial condition. Such factors include, but are not limited to: the Company's ability to determine candidates for clinical testing, the results of clinical testing and trial activities of the Company's product candidates, the Company's ability to obtain regulatory approval to market its product candidates, the Company's intellectual property, competition from products manufactured and sold or being developed by other companies, the price of, and demand for, the Company's product candidates if approved for sale, the Company's ability to negotiate favorable licensing or other manufacturing and marketing agreements for its product candidates, and the Company's ability to raise capital.

The Company currently has no commercially approved product candidates and there can be no assurance that the Company's research and development programs will be successfully commercialized. Developing and commercializing a product requires significant time and capital and is subject to regulatory review and approval, as well as competition from other biotechnology and pharmaceutical companies. The Company operates in an environment of rapid change and is dependent upon the continued services of its employees and consultants and obtaining and protecting its intellectual property.

Cash Concentrations

The Company maintains its cash balances with a financial institution in Federally-insured accounts and may periodically have cash balances in excess of insurance limits. The Company maintains its accounts with a financial institution with a high credit rating. The Company has not experienced any losses to date and believes that it is not exposed to any significant credit risk on cash.

Restricted Cash

The Company purchased a $50,000 certificate of deposit to collateralize a credit card account with a commercial bank that was classified as short-term restricted cash as of June 30, 2018 and December 31, 2017. In June 2018, the Company also placed $150,000 in a separate account to collateralize a credit card account with a commercial bank that was classified as long-term restricted cash as of June 30, 2018.

Property and Equipment

Property and equipment is recorded at cost. Major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Gains and losses from disposition of property and equipment are included in income and expense when realized. Amortization of leasehold improvements is provided using the straight-line method over the shorter of the lease term or the useful life of the underlying assets. Depreciation of property and equipment is provided using the straight-line method over the following estimated useful lives:

Laboratory equipment	5 years
Computer and office equipment	3 years
Furniture and fixtures	3-8 years

The Company recognizes depreciation and amortization expense in general and administrative expenses and in research and development expenses in the Company's statements of operations, depending on how each category of property and equipment is utilized in the Company's business activities.

Research and Development Expenses

Research and development expenses consist primarily of compensation costs, fees paid to consultants, outside service providers and organizations (including research institutes at universities), facility costs, and development and clinical trial costs with respect to the Company's product candidates.

Research and development expenses incurred under contracts are expensed ratably over the life of the underlying contracts, unless the achievement of milestones, the completion of contracted work, or other information indicates that a different expensing schedule is more appropriate. Other research and development expenses are charged to operations as incurred.

Nonrefundable advance payments are recognized as an expense as the related services are performed. The Company evaluates whether it expects the services to be rendered at each quarter end and year end reporting date. If the Company does not expect the services to be rendered, the advance payment is charged to expense. Nonrefundable advance payments for research and development services are included in prepaid and other current assets on the balance sheet. To the extent that a nonrefundable advance payment is for contracted services to be performed within 12 months from the reporting date, such advance is included in current assets; otherwise, such advance is included in non-current assets.

The Company evaluates the status of its research and development agreements and contracts, and the carrying amount of the related assets and liabilities, at each quarter end and year end reporting date, and adjusts the carrying amounts and their classification on the balance sheet as appropriate.

Research and Development Funding Arrangements

The Company's proprietary biologics are at an early stage and will require substantial time and funding to continue development. There can be no assurances that any of the Company's biologics will ultimately become commercially viable product candidates. In order to finance its research and development programs, the Company may periodically enter into collaboration agreements with third parties that provide funding for certain aspects of the Company's ongoing research and development activities. The Company considers various factors in determining the appropriate accounting treatment for such collaboration agreements, including, among others, the risks of and costs associated with the research and development program being funded, the stage of development of the proprietary biologics subject to the research and development program, the likelihood at initiation that the collaboration arrangement will result in an economically successful outcome to the third party, the continuing involvement of the Company in the research and development program and the expenditure of the funds, the transfer of the financial risk associated with the research and development program to the third party, the intended use of the funds and any restrictions thereon, and the probability of any repayment obligations or other forms of consideration if the proprietary biologics subject to the research and development program are not successfully developed and commercialized.

Patent Expenses

The Company is the exclusive worldwide licensee of, and has patent applications pending for, numerous domestic and foreign patents. Due to the significant uncertainty associated with the successful development of one or more commercially viable product candidates based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal fees, filing fees and other costs are charged to expense as incurred. For the three and six months ended June 30, 2018, patent expenses were $151,000 and $268,000, respectively, and $113,000 and $206,000 for the three and six months ended June 30, 2017, respectively. Patent expenses are included in general and administrative expenses in the Company's statements of operations.

Licensing Fees and Costs

Licensing fees and costs consist primarily of costs relating to the acquisition of the Company's license agreement with the Albert Einstein College of Medicine ("Einstein") further described in Note 8, Related Party Transactions, including related royalties, maintenance fees, milestone payments and product development costs. Licensing fees and costs are charged to expense as incurred.

Long-Lived Assets

The Company reviews long-lived assets, consisting of property and equipment, for impairment at each fiscal year end or when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The Company has not historically recorded any impairment to its long-lived assets. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

Rent Expense and Deferred Rent Liability

Operating lease agreements which contain provisions for future rent increases or periods in which rent payments are reduced or abated are recorded in monthly rent on a straight line basis. The difference between rent expense recorded and the amount paid is credited or charged to a deferred rent liability account. The current portion of deferred rent is included in current liabilities, and the remaining amount is shown in the balance sheets as a non-current liability.

Stock-Based Compensation

The Company periodically issues stock options to officers, directors, employees, Scientific and Clinical Advisory Board members, non-employees and consultants for services rendered. Such issuances vest and expire according to terms established at the issuance date.

Stock-based payments to officers, directors and employees, including grants of employee stock options, are recognized in the financial statements based on their grant date fair values. Stock option grants, which are generally time-vested, are measured at the grant date fair value and charged to operations on a straight-line basis over the service period, which generally approximates the vesting term. The fair value of stock options is determined utilizing the Black-Scholes option-pricing model, which is affected by several variables, including the risk-free interest rate, the expected dividend yield, the life of the equity award, the exercise price of the stock option as compared to the fair value of the common stock on the grant date, and the estimated volatility of the common stock over the term of the equity award.

Stock options granted to members of the Company's Scientific and Clinical Advisory Board, non-employees and outside consultants are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the stock options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the value on the date of vesting.

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Until the Company has established a trading market for its common stock, estimated volatility is based on the average historical volatilities of comparable public companies in a similar industry. The expected dividend yield is based on the current yield at the grant date; the Company has never declared or paid dividends and has no plans to do so for the foreseeable future. As permitted by Staff Accounting Bulletin No. 107, due to the Company's lack of trading history and option activity, management utilizes the simplified method to estimate the expected term of options at the date of grant. The exercise price is determined based on the fair value of the Company's common stock at the date of grant. The Company accounts for forfeitures as they occur.

The Company recognizes the fair value of stock-based compensation in general and administrative expenses and in research and development expenses in the Company's statements of operations, depending on the type of services provided by the recipient of the equity award.

Earnings (Loss) Per Share

The Company's computation of earnings (loss) per share ("EPS") for the respective periods includes basic and diluted EPS. Basic EPS is measured as the income (loss) attributable to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares that would result from the exercise of outstanding stock options and warrants as if they had been exercised at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. Basic and diluted loss per common share is the same for all periods presented because all outstanding stock options and warrants are anti-dilutive.

At June 30, 2018 and 2017, the Company excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	June 30,	
	2018	2017
Common stock warrants	1,252,441	370,370
Common stock options	3,385,321	2,366,221
Total	4,637,762	2,736,591

Recent Accounting Pronouncements and Adopted Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") to provide updated guidance on revenue recognition. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies may need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods within each annual reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross Versus Net)*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which relates to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration, and the presentation of sales and other similar taxes collected from customers. Collectively these amendments are referred to as "ASC 606".

ASC 606 clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP providing a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. This update is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted this standard on January 1, 2018. There was no revenue recognized during the year ended December 31, 2017 and therefore no cumulative effect adjustment was required. The Company has recorded approximately $172,000 and $363,000 in collaboration revenue for the three and six months ended June 30, 2018, respectively, pursuant to this guidance.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. ASU 2016-02 requires classification of all cash payments within operating activities in the statement of cash flows. Disclosures are required to provide the amount, timing and uncertainty of cash flows arising from leases. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company will adopt the provisions of ASU 2016-02 in the quarter beginning January 1, 2019. The Company generally does not finance purchases of property and equipment, but does lease its operating facilities. While the Company is continuing to assess the potential impact of ASU 2016-02, it currently expects that most of its lease commitments will be subject to ASU 2016-02 and accordingly, upon adoption will be recognized as lease liabilities and right-of-use assets in the Company's balance sheets.

In July 2018, the FASB issued Accounting Standards Update No. 2018-10, Leases (Topic 842) to further clarify the provisions of Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02") issued in February 2016. The Company is still evaluating the impact that this standard will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash ("ASU 2016-18")*. The amendments in this update require that amounts generally described as restricted cash and restricted cash equivalents be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 was effective January 1, 2018. As a result of adopting ASU 2016-18, the Company includes its restricted cash balance in the cash and cash equivalents reconciliation of operating, investing and financing activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

in thousands	June 30,	
	2018	2017
Cash and cash equivalents	$45,736	$7,307
Restricted cash included in prepaid expenses and other current assets	50	50
Restricted cash included in other non-current assets	150	—
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$45,936	$7,357

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, Compensation-Stock Compensation (Topic 718); Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The amendments in this ASU are effective for public entities for fiscal years and interim periods beginning after December 15, 2017. The ASU is applied prospectively on and after the effective date. This standard did not have a material effect on the Company's financial statements.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception ("ASU 2017-11"). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach. The adoption of ASU 2017-11 is not currently expected to have any impact on the Company's financial statement presentation or disclosures.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07 ("ASU 2018-07"), Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 expands the scope of Topic 718 to include share based payment transactions for acquiring goods or services from nonemployees. The expansion of scope is aimed to improve multiple areas of nonemployee share-based payment accounting including awards with performance conditions. This update is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company is evaluating the impact, if any, of ASU 2018-17 on the Company's consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

3. Fair Value

The Company accounts for its financial assets and liabilities using fair value measurements. The authoritative accounting guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of

observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, 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.

The following table presents information about the Company's assets that are measured at fair value on a recurring basis as of June 30, 2018 and indicate the level of the fair value hierarchy utilized to determine such fair value:

	Fair Value Measurements as of June 30, 2018 (in thousands)			
	Level 1	Level 2	Level 3	Fair Value
Cash equivalents	41,665	—	—	41,665
Total	$ 41,665	$ —	$ —	$ 41,665

As of June 30, 2018, the Company's cash equivalents that are invested in money market funds, United States treasury securities and overnight repurchase contracts are valued using Level 1 inputs and primarily rely on quoted prices in active markets for similar securities. During the six months ended June 30, 2018, there were no transfers between Level 1, Level 2, and Level 3. As of December 31, 2017, the Company did not have assets measured at fair value as the majority of its assets consisted of cash.

The carrying values of accounts receivable, prepaid expenses, other current assets, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these balances.

4. Property and Equipment

Property and equipment as of June 30, 2018 and December 31, 2017 consisted of the following:

	June 30, 2018	December 31, 2017
	(in thousands)	
Computer and office equipment	$ 136	$ 83
Laboratory equipment	3,517	2,205
Furniture and fixtures	78	10
Leasehold improvements	—	54
	3,731	2,352
Less: Accumulated depreciation	(968)	(661)
Total property and equipment, net	$ 2,763	$ 1,691

Depreciation expense for the six months ended June 30, 2018 and 2017 was approximately $362,000 and $169,000, respectively. During the six months ended June 30, 2018 there were $55,000 in disposals of fully depreciated lease hold improvements related to our prior lease. There were no disposals of property and equipment for the six months ended June 30, 2017.

5. Stock-Based Compensation

For stock options requiring an assessment of value during the six months ended June 30, 2018, the fair value of each stock option award was estimated using the Black-Scholes option-pricing model utilizing the following assumptions:

	June 30, 2018
Risk-free interest rate	2.43 to 2.92%
Expected dividend yield	0%
Expected volatility	82.0-83.4%
Expected life	4.0 to 7.0 years

A summary of stock option activity for the six months ended June 30, 2018 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Stock options outstanding at December 31, 2017	2,732,221	$ 4.07	5.76
Granted	660,600	$ 13.87	
Exercised	—	$ —	
Cancelled	(7,500)	$ —	
Stock options outstanding at June 30, 2018	3,385,321	$ 4.25	4.80
Stock options exercisable at June 30, 2018	959,426	$ 3.71	4.98

As of June 30, 2018, total unrecognized stock-based compensation was approximately $13,598,000, which is expected to be recognized as an operating expense in the Company's statement of operations through June 2022.

The intrinsic value of exercisable but unexercised in-the-money stock options at June 30, 2018 was approximately $8,105,000, based on a fair value of $11.86 per share on June 29, 2018.

Stock-based compensation for the three and six months ended June 30, 2018 and 2017 was included in the statement of operations as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2018	2017	2018	2017
General and administrative	$ 593	$ 249	$ 972	$ 476
Research and development	682	458	1,461	774
Total	$ 1,275	$ 707	$ 2,433	$ 1,250

6. Warrants

The Company has two tranches of common stock warrants outstanding at June 30, 2018 and December 31, 2017. The first tranche was to purchase 370,370 shares of common stock issued on June 15, 2015 with an exercise prices of $2.70 per share. These warrants were issued with a 7 year life and expire on June 15, 2024. The second tranche was to purchase 882,071 shares of common stock issued on December 27, 2017 with an exercise price of $9.38 per share. These warrants were issued with a 5 year life and expire on December 26, 2022. The intrinsic value of exercisable but unexercised in-the-money common stock warrants at June 30, 2018 was approximately $5,585,000 based on a fair value of $11.86 per share on June 29, 2018.

Each tranche of warrants was evaluated under ASC 480, *Distinguishing Liabilities from Equity,* and ASC 815, *Derivatives and Hedging*, and the Company determined that equity classification was appropriate.

7. Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC"), Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), during 2018. The Company generates revenue solely through collaboration arrangements with strategic partners for the development and commercialization of product candidates. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods and/or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and/or services. To determine the appropriate amount of revenue to be recognized for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following steps: (i) Identify the contract(s) with the customer, (ii) Identify the performance obligations in the contract, (iii) Determine the transaction price, (iv) Allocate the transaction price to the performance obligations in the contract and (v) Recognize revenue when (or as) each performance obligation is satisfied.

The Company will recognize collaboration revenue under certain of the Company's license or collaboration agreements that are within the scope of ASC 606. The Company's contracts with customers typically include promises related to licenses to intellectual property and research and development services. If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, up-front fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. Currently, none of the Company's contracts include options to acquire additional goods and/or services.

The terms of the Company's arrangements with customers typically include the payment of one or more of the following: (i) Non-refundable, up-front payment, (ii) Development, regulatory and commercial milestone payments, (iii) Future options and (iv) Royalties on net sales of licensed products. Accordingly, the transaction price is generally comprised of a fixed fee due at contract inception and variable consideration in the form of milestone payments due upon the achievement of specified events and tiered royalties earned when customers recognize net sales of licensed products. The Company measures the transaction price based on the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods and/or services to the customer. The Company utilizes the "most likely amount" method to estimate the amount of variable consideration, to predict the amount of consideration to which it will be entitled for its one open contract. Amounts of variable consideration are included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the inception of each arrangement that includes development and regulatory milestone payments, the Company evaluates whether the associated event is considered probable of achievement and estimates the amount to be included in the transaction price using the most likely amount method. Milestone payments that are not within the control of the Company or the licensee, such as those dependent upon receipt of regulatory approval, are not considered to be probable of achievement until the triggering event occurs. At the end of each reporting period, the Company reevaluates the probability of achievement of each milestone and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and net loss in the period of adjustment.

For arrangements that include sales-based royalties, including milestone payments based upon the achievement of a certain level of product sales, the Company recognizes revenue upon the later of: (i) When the related sales occur or (ii) When the performance obligation to which some or all of the payment has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any development, regulatory or commercial milestones or royalty revenue resulting from any of its collaboration arrangements. Consideration that would be received for optional goods and/or services is excluded from the transaction price at contract inception.

The Company allocates the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis, when applicable. However, certain components of variable consideration are allocated specifically to one or more particular performance obligations in a contact to the extent both of the following criteria are met: (i) The terms of the payment relate specifically to the efforts to satisfy the performance obligation or transfer the distinct good or service and (ii) Allocating the variable amount of consideration entirely to the performance obligation or the distinct good or service is consistent with the allocation objective of the standard whereby the amount allocated depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services. The Company develops assumptions that require judgement to determine the standalone selling price for each performance obligation identified in each contract. The key assumptions utilized in determining the standalone selling price for each performance obligation may include forecasted revenues, development timelines, estimated research and development costs, discount rates, likelihood of exercise and probabilities of technical and regulatory success.

Revenue is recognized based on the amount of the transaction price that is allocated to each respective performance obligation when or as the performance obligation is satisfied by transferring a promised good and/or service to the customer. For performance obligations that are satisfied over time, the Company recognizes revenue by measuring the progress toward complete satisfaction of the performance obligation using a single method of measuring progress which depicts the performance in transferring control of the associated goods and/or services to the customer. The Company uses input methods to measure the progress toward the complete satisfaction of performance obligations satisfied over time. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and net loss in the period of adjustment.

As it relates to the Merck Exclusive Patent License and Collaboration Agreement (Note 9), the Company recognized the upfront payment associated with its one open contract as a contract liability upon receipt of payment as it requires deferral of revenue recognition to a future period until the Company performs its obligations under the arrangement. Amounts expected to be recognized as revenue within the twelve months following the balance sheet date are classified in current liabilities. Amounts not expected to be recognized as revenue within the twelve months following the balance sheet date are classified as contract liabilities, net of current portion. The Company determined that there was one performance obligation; consisting of the license and research development services. Thus, the transaction price of $2.5 million was allocated to the single performance obligation.

Revenue is recognized by allocating a portion of the Company's direct costs incurred to provide research and development services related to the performance obligation. Furthermore, the Company has not capitalized any contract costs under the guidance in ASC 340-40, *Other Assets and Deferred Costs: Contracts with Customers*.

The Company does not believe that any variable consideration should be included in the transaction price at the date of adoption of ASC 606 in 2018. Such assessment considered the application of the constraint to ensure that estimates of variable consideration would be included in the transaction price only to the extent the Company had a high degree of confidence that revenue would not be reversed in a subsequent reporting period. The Company will re-evaluate the transaction price, including the estimated variable consideration included in the transaction price and all constrained amounts, in each reporting period and as other changes in circumstances occur.

8. Related Party Transactions

The former interim Chief Financial Officer of the Company, who is also the Chief Financial Officer of MDB, a related party, was compensated at a rate of $6,000 per month, reflecting an aggregate charge to operations for the three months ended June 30, 2018 and 2017 of $6,000 and $18,000, respectively and $24,000 and $36,000 for the six months ended June 30, 2018 and 2017, respectively.

During 2015, the Company entered into a license agreement, (the "Einstein License"), with the Albert Einstein College of Medicine, ("Einstein") for certain patent rights (the "Patents") relating to the Company's core technology platform for the engineering of biologics to control T-cell activity, precision, immune-modulatory drug candidates, and two supporting technologies that enable the discovery of costimulatory signaling molecules (ligands) and T-cell targeting peptides. On July 31, 2017, the Company entered into an amended and restated license agreement which modified certain obligations of the parties under the Einstein License. For each of the three months ended June 30, 2018 and 2017, the Company incurred $12,500 and for each of six months ended June 30, 2018 and 2017, the Company incurred approximately $25,000 in fees and expenses to Einstein in relation to this license.

9. Commitments and Contingencies

Einstein License and Service Agreement

The Company's remaining commitments with respect to this agreement are based on the attainment of future milestones.

Agreements with Catalent

On March 7, 2017, the Company entered into an agreement with Catalent for Catalent to provide services on a sequential milestone basis with respect to the development and manufacture of the Company's lead drug candidate, CUE-101. The services under the agreement are designed to support the preparation and filing of an Investigational New Drug Application with the United States Food and Drug Administration to allow for the commencement of a Phase 1 clinical trial of CUE-101 in the United States. The Company incurred total direct costs under this agreement aggregating $1.4 million during the six months ended June 30, 2018 and currently estimates that it will incur an additional $3.2 million of such costs during the year ended December 31, 2018. Certain of these agreements contain nonrefundable advance payments for which the Company anticipates receiving the contracted services

within 12 months from the date of payment. Management periodically reviews and updates the project's estimated budget and timeline.

Collaboration Agreement with Merck

On November 14, 2017, the Company entered into an Exclusive Patent License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck Sharp & Dohme Corp. ("Merck") for a partnership to research and develop certain of the Company's proprietary biologics that target certain autoimmune disease indications (the "Initial Indications"). We view this Collaboration Agreement as a component of our development strategy since it will allow us to advance our autoimmune programs in partnership with a world class pharmaceutical company, while also continuing our focus on our more advanced cancer programs. The research program outlined in the Collaboration Agreement entails (1) our research, discovery and development of certain Immuno-STAT™ drug candidates up to the point of demonstration of certain biologically relevant effects ("Proof of Mechanism") and (2) the further development by Merck of the Immuno-STAT™ drug candidates that have demonstrated Proof of Mechanism (the "Proposed Product Candidates") up to the point of demonstration of all or substantially all of the properties outlined in such Proposed Product Candidates' profiles as described in the Collaboration Agreement.

For the purposes of this collaboration, the Company granted to Merck under the Collaboration Agreement an exclusive license under certain of is patent rights, including a sublicense of patent rights licensed from Einstein, to the extent applicable to the specific Immuno-STAT™ that are elected to be developed by Merck. From the effective date of the Collaboration Agreement until the earlier of (i) the first achievement of Proof of Mechanism for a Immuno-STAT™ drug candidate or (ii) 18 months after the Company notifies the joint steering committee that the first Product Candidate has been synthesized under the research program, the Company is required to forebear from researching, developing or licensing to a third party rights related to any Immuno-STAT™ drug candidate for the treatment of autoimmune diseases other than pursuant to the Collaboration Agreement. On July 12, 2018, the Company announced the generation of the first Product Candidate establishing the end-date of the forbearance period as no later than December 14, 2019. In addition, so long as Merck continues product development on a Proposed Product Candidate, the Company is restricted from conducting any development activities within the Initial Indication covered by such Proposed Product Candidate other than pursuant to the Collaboration Agreement. The Company is not required to forbear at any time, however, from developing other Immuno-STAT™ for use in therapeutic areas other than autoimmune diseases, e.g., for use in treating cancer or infectious diseases.

In exchange for the licenses and other rights granted to Merck under the Collaboration Agreement, Merck paid to the Company a $2.5 million nonrefundable up-front payment. Additionally, the Company may be eligible to receive funding in developmental milestone payments, as well as tiered royalties, if all research, development, regulatory and commercial milestones agreed upon by both parties are successfully achieved. Excluding the up-front payment described above, the Company is eligible to earn up to $101 million for the achievement of certain research and development milestones, $120 million for the achievement of certain regulatory milestones and $150 million for the achievement of certain commercial milestones, in addition to tiered royalties on sales, if all pre-specified milestones associated with multiple products across the primary disease indication areas are achieved. The Collaboration Agreement requires the Company to use the first $2.7 million of milestone payments we receive under the agreement to fund contract research. The amount of the royalty payments is a percentage of product sales ranging in the single digits based on the amount of such sales. For the three and six months ended June 30, 2018, the Company recorded approximately $172,000 and $363,000 in collaboration revenue related to this agreement. There was no revenue recognized during the year ended December 31, 2017.

The term of the Collaboration Agreement extends until the expiration of all royalty obligations following a product candidate's receipt of marketing authorization, at which point Merck's licenses and sublicenses granted under the agreement shall become fully paid-up, perpetual licenses and sublicenses, as applicable. Royalties on each product subject to the Collaboration Agreement shall continue on a country-by-country basis until the expiration of the later of: (1) the last-to-expire patent claiming the compound on which such product is based and (2) a period of ten years after the first commercial sale of such product in such country.

Notwithstanding the foregoing, Merck may terminate the Collaboration Agreement at any time upon 30 days' notice to the Company. The Collaboration Agreement may also be terminated by either party if the other party is in breach of its obligations thereunder and fails to cure such breach within 90 days after notice or by either party if the other party files for bankruptcy or other similar insolvency proceedings.

Leased Facilities

On July 29, 2015, the Company entered into an operating lease agreement for its previous laboratory space for the period from August 1, 2015 through April 30, 2018. The lease contained escalating payments during the lease period. The Company records monthly rent expense on the straight-line basis.

On November 14, 2016 and January 16, 2018 the Company entered into an amendments to the operating lease agreement that each provided the Company with additional laboratory space. These amendments were effective beginning December 1, 2016 and January 16, 2018, respectively, and continued through the expiration of the lease on April 30, 2018.

On January 18, 2018, the Company entered into an operating lease agreement for its laboratory and office space in Cambridge, Massachusetts for the period from May 1, 2018 through April 30, 2021. The lease contains escalating payments during the lease period. Upon execution of this lease agreement the Company prepaid three months of rent, two of which will be held in escrow and credited against future rent payments and one month that was applied to the first months rent. The Company also prepaid seven and one half months rent pursuant to an amendment to the license agreement executed on June 18, 2018. These amounts were recorded to deposits and prepaid expenses, respectively at June 30, 2018.

Future minimum lease payments under these leases at June 30, 2018 are as follows:

Year	(in thousands)
2018	$ 1,517
2019	3,577
2020	3,967
2021	1,157
Total	$ 10,218

Total rent expense of approximately $732,000 and $438,000 was included in the statement of operations for the three months ended June 30, 2018 and 2017, respectively, and $1,387,000 and $965,000 for the six months ended June 30, 2018 and 2017, respectively.

On June 18, 2018, the Company entered into an amended lease agreement that provided the Company with a reduction in rental fees for its office and laboratory space in exchange for prepayment of a portion of the fees. This amendment was effective beginning on May 15, 2018 and expires on April 14, 2021.

Legal Contingencies

The Company may be subject to various legal proceedings from time to time as part of its business. As of June 30, 2018, the Company was not a party to any legal proceedings or threatened legal proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on its business, financial condition or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the financial statements and accompanying notes thereto for the fiscal year ended December 31, 2017 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed by us with the Securities and Exchange Commission, or SEC, on March 29, 2018.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "would," "could," "seek," "intend," "plan," "goal," "project," "estimate," "anticipate," "strategy," "future," "likely" or other comparable terms. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding anticipated results of our drug development efforts, including study results, our expectations regarding regulatory developments and expected future operating results. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, our limited operating history, limited cash and a history of losses; our ability to achieve profitability; our ability to secure required Food and Drug Administration ("FDA") or other governmental approvals for our product candidates and the breadth of any approved indication; negative or inconclusive results from our clinical studies or serious and unexpected drug-related side effects or other safety issues experienced by participants in our clinical trials; delays and changes in regulatory requirements, policy and guidelines including potential delays in submitting required regulatory applications to the FDA; our reliance on licensors, collaborations and strategic alliances; our ability to obtain adequate financing to fund our business operations in the future; and the other risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our most recently filed Annual Report on Form 10-K and any subsequently filed Quarterly Report(s) on Form 10-Q. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Overview

The Company is an innovative biopharmaceutical company developing a novel and proprietary class of biologic drugs for the selective modulation of the human immune system to treat a broad range of cancers and autoimmune disorders. We believe our innovative Immuno-STAT™ platform approach to selectively modulate disease relevant T cells, provides a transformative solution to the challenges facing prevailing immunotherapeutics. By directly engaging and modulating disease relevant T cells in the patient's body via an injectable drug, we believe our biologic drug candidates will be able to realize the true potential of immune modulation. Through our proprietary Immuno-STAT™ platform, we believe we are uniquely positioned to become a prominent and leading player in immunotherapy, immuno-oncology, and autoimmune disease. While currently in preclinical development, our proprietary platform is intended to allow us to efficiently design and develop drug candidates that specifically and selectively engage disease relevant T cells for therapeutic affect, while minimizing or eliminating unwanted side effects. We have been aggressively seeking patent protection for our pioneering innovations and, combined with a license agreement with the Albert Einstein College of Medicine ("Einstein"), continue to build a robust intellectual property portfolio. This portfolio includes our core technology platform for the engineering of biologics to selectively control T cell activity, which we call Immuno-STAT™, a growing portfolio of precision immuno-modulatory drug candidates, and two supporting technologies we call MOD™ and viraTope™ that enable the discovery of costimulatory signaling molecules (ligands) and T cell targeting peptides, respectively. The Company's corporate offices and research facilities are located in Cambridge, Massachusetts.

The Company's product candidates are currently in preclinical development, and the Company's activities are subject to significant risks and uncertainties. The Company has not yet commenced any revenue-generating operations, does not have any cash flows from operations, and will need to raise additional capital to fund its growth and ongoing business operations.

Plan of Operation

The Company's technology is in the development phase. The Company believes that its licensed platforms have the potential for creating a robust pipeline of drug candidates addressing multiple medical indications. The Company intends to maximize the value and probability of commercialization of its Immuno-STAT™ immunotherapeutics by focusing on research, testing, optimizing, conducting pilot studies, performing early stage clinical development and partnering for more extensive, later stages of clinical development, as well as seeking extensive patent protection and intellectual property development.

Since the Company is a development stage company, the majority of its business activities to date and its planned future activities will be devoted to further research and development.

A fundamental part of the Company's corporate development strategy is to establish one or more strategic partnerships with leading pharmaceutical or biotechnology organizations that will allow the Company to more fully exploit the potential of its technology platform, such as the one with Merck described below under the heading "Collaboration Agreement with Merck."

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations is based upon the Company's financial statements, which have been prepared in conformity with accounting principles generally accepted in the U.S. GAAP. Certain accounting policies and estimates are particularly important to the understanding of the Company's financial position and results of operations and require the application of significant judgment by management or can be materially affected by changes from period to period in economic factors or conditions that are outside of the Company's control. As a result, these issues are subject to an inherent degree of uncertainty. In applying these policies, management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on the Company's historical operations, the future business plans and the projected financial results, the terms of existing contracts, trends in the industry, and information available from other outside sources. For a more complete description of the Company's significant accounting policies, see Note 2 to the financial statements included in this report.

Research and Development Costs

Research and development expenses consist primarily of compensation costs, fees paid to consultants, outside service providers and organizations (including research institutes at universities), facility costs, and development and clinical trial costs with respect to the Company's product candidates.

Research and development expenses incurred under contracts are expensed ratably over the life of the underlying contracts, unless the achievement of milestones, the completion of contracted work, or other information indicates that a different expensing schedule is more appropriate. Other research and development expenses are charged to operations as incurred. Payments made pursuant to research and development contracts are initially recorded as research and development contract advances in the Company's balance sheet and then charged to research and development expenses in the Company's statement of operations as those contract services are performed. Expenses incurred under research and development contracts in excess of amounts advanced are recorded as research and development contract liabilities in the Company's balance sheet, with a corresponding charge to research and development expenses in the Company's statement of operations.

Nonrefundable advance payments for future research and development activities pursuant to an executory contractual arrangement are recorded as advances as described above. Nonrefundable advance payments are recognized as an expense as the related services are performed. The Company evaluates whether it expects the services to be rendered at each quarter end and year end reporting date. If the Company does not expect the services to be rendered, the advance payment is charged to expense. To the extent that a nonrefundable advance payment is for contracted services to be performed within 12 months from the reporting date, such advance is included in current assets; otherwise, such advance is included in non-current assets.

The Company evaluates the status of its research and development agreements and contracts, and the carrying amount of the related assets and liabilities, at each quarter end and year end reporting date, and adjusts the carrying amounts and their classification on the balance sheet as appropriate.

Research and Development Funding Arrangements

The Company's proprietary biologics are at an early stage and will require substantial time and funding to continue development. There can be no assurances that any of the Company's biologics will ultimately become commercially viable product candidates. In order to finance its research and development programs, the Company may periodically enter into collaboration agreements with third parties that provide funding for certain aspects of the Company's ongoing research and development activities. The Company considers various factors in determining the appropriate accounting treatment for such collaboration agreements, including, among others, the risks of and costs associated with the research and development program being funded, the stage of development of the proprietary biologics subject to the research and development program, the likelihood at initiation that the collaboration arrangement will result in an economically successful outcome to the third party, the continuing involvement of the Company in the research and development program and the expenditure of the funds, the transfer of the financial risk associated with the research and development program to the third party, the intended use of the funds and any restrictions thereon, and the probability of any repayment obligations or other forms of consideration if the proprietary biologics subject to the research and development program are not successfully developed and commercialized.

Patent Expenses

The Company is the exclusive worldwide licensee of, and has patent applications pending for, numerous domestic and foreign patents. Due to the significant uncertainty associated with the successful development of one or more commercially viable product candidates based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal fees, filing fees and other costs are charged to expense as incurred. Patent expenses are included in general and administrative expenses in the Company's statement of operations.

Licensing Fees and Costs

Licensing fees and costs consist primarily of costs relating to the acquisition of the Company's license agreement with the Albert Einstein College of Medicine, ("Einstein"), including related royalties, maintenance fees, milestone payments and product development costs. Licensing fees and costs are charged to expense as incurred.

Stock-Based Compensation

The Company periodically issues stock options to officers, directors, employees, Scientific and Clinical Advisory Board members, non-employees and consultants for services rendered. Such issuances vest and expire according to terms established at the issuance date.

Stock-based payments to officers, directors and employees, including grants of employee stock options, are recognized in the financial statements based on their grant date fair values. Stock option grants, which are generally time-vested, are measured at the grant date fair value and charged to operations on a straight-line basis over the vesting period. The fair value of stock options is determined utilizing the Black-Scholes option-pricing model, which is affected by several variables, including the risk-free interest rate, the expected dividend yield, the life of the equity award, the exercise price of the stock option as compared to the fair value of the common stock on the grant date, and the estimated volatility of the common stock over the term of the equity award.

Stock options granted to members of the Company's Scientific and Clinical Advisory Board, non-employees and outside advisors and consultants are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the stock options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the value on the date of vesting.

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Until the Company has established a trading market for its common stock, estimated volatility is based on the average historical volatilities of comparable public companies in a similar industry. The expected dividend yield is based on the current yield at the grant date; the Company has never declared or paid dividends and has no plans to do so for the foreseeable future. As permitted by Staff Accounting Bulletin No. 107, due to the Company's lack of history and option activity, management utilizes the simplified method to estimate the expected term of options at the date of grant. The exercise price is determined based on the fair value of the Company's common stock at the date of grant.

The Company recognizes the fair value of stock-based compensation in general and administrative expenses and in research and development expenses in the Company's statement of operations, depending on the type of services provided by the recipient of the equity award. The Company issues new shares of common stock to satisfy stock option exercises.

Recent Accounting Pronouncements and Adopted Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") to provide updated guidance on revenue recognition. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies may need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods within each annual reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross Versus Net)*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which relates to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration, and the presentation of sales and other similar taxes collected from customers. Collectively these amendments are referred to as "ASC 606".

ASC 606 clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP providing a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. This update is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted this standard on January 1, 2018. The Company has recorded approximately $596,000 in collaboration revenue for the six months ended June 30, 2018 pursuant to this guidance.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires a lessee to record a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, on the balance sheet for all leases with terms longer than 12 months, as well as the disclosure of key information about leasing arrangements. ASU 2016-02 requires recognition in the statement of operations of a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. ASU 2016-02 requires classification of all cash payments within operating activities in the statement of cash flows. Disclosures are required to provide the amount, timing and uncertainty of cash flows arising from leases. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company will adopt the provisions of ASU 2016-02 in the quarter beginning January 1, 2019. The Company generally does not finance purchases of property and equipment, but does lease its operating facilities. While the Company is continuing to assess the potential impact of ASU 2016-02, it currently expects that most of its lease commitments will be subject to ASU 2016-02 and accordingly, upon adoption will be recognized as lease liabilities and right-of-use assets in the Company's balance sheets. The Company is still evaluating the impact that this standard will have on the financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, Compensation-Stock Compensation (Topic 718); Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The amendments in this ASU are effective for public entities for fiscal years and interim periods beginning after December 15, 2017. The ASU is applied prospectively on and after the effective date. This standard did not have a material effect on the Company's financial statements.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception ("ASU 2017-11"). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of

income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach. The adoption of ASU 2017-11 is not currently expected to have any impact on the Company's financial statement presentation or disclosures.

In June 2018, the FASB issued Accounting Standards Update No. 2018-07 ("ASU 2018-07"), Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 expands the scope of Topic 718 to include share based payment transactions for acquiring goods or services from nonemployees. The expansion of scope is aimed to improve multiple areas of nonemployee share-based payment accounting including awards with performance conditions. This update is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company is evaluating the impact, if any, of ASU 2018-07 on the Company's consolidated financial statements.

In July 2018, the FASB issued Accounting Standards Update No. 2018-10, Leases (Topic 842) to further clarify the provisions of Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02") issued in February 2016. While the Company is continuing to assess the potential impact of ASU 2016-02, it currently expects that most of its lease commitments will be subject to ASU 2016-02 and accordingly, upon adoption will be recognized as lease liabilities and right-of-use assets in the Company's balance sheet.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

License Agreement

On January 14, 2015, the Company entered into a license agreement, as amended and restated on July 31, 2017 (the "Einstein License"), with Einstein for certain patent rights (the "Patents") relating to the Company's core technology platform for the engineering of biologics to control T cell activity, precision, immune-modulatory drug candidates, and two supporting technologies that enable the discovery of costimulatory signaling molecules (ligands) and T cell targeting peptides. The Company holds an exclusive worldwide license, with the right to sublicense, import, make, have made, use, provide, offer to sell, and sell all products, processes and services that use the patents covered by the Einstein License, including certain technology received from Einstein related thereto (the "Licensed Products"). Under the Einstein License, the Company is required to:

- Pay royalties based on certain percentage of proceeds, as defined in the Einstein License, from sales of Licensed Products, including sublicense agreements.
- Pay escalating annual maintenance fees, which are non-refundable, but are creditable against the amount due to Einstein for royalties.
- Make significant payments based upon the achievement of certain milestones, as defined in the Einstein License. At June 30, 2018, none of these milestones had been achieved by the Company.
- Incur minimum product development costs per year until the first commercial sale of the first Licensed Product.

The Company was in compliance with its obligations under the Einstein License at June 30, 2018 and 2017.

The Einstein License expires upon the expiration of the last obligation to make royalty payments to Einstein which may be due with respect to certain Licensed Products, unless terminated earlier under the provisions thereof. The Einstein License includes certain termination provisions if the Company fails to meet its obligations thereunder.

The Company accounts for the costs incurred in connection with the Einstein License in accordance with ASC 730, Research and Development. For the quarters ended June 30, 2018, and 2017, costs incurred with respect to the Einstein License aggregated $12,500 for each period. Such costs are included in research and development costs in the statements of operations.

Pursuant to the Einstein License, the Company issued to Einstein 671,572 shares of common stock of the Company in connection with the consummation of the initial public offering of its common stock on December 27, 2017. Under the Einstein License, the Company must also use its best efforts to file a registration statement covering the resale of the 671,572 shares issued to Einstein no later than 180 days after the consummation of such offering.

Agreements with Catalent Pharma Solutions, LLC

Catalent Pharma Solutions, LLC ("Catalent") is a global provider of drug delivery technology and development solutions for drugs, biologics and consumer health products.

On March 7, 2017, the Company entered into an agreement with Catalent for Catalent to provide services on a sequential milestone basis with respect to the development and manufacture of the Company's lead drug candidate, CUE-101. The services under the agreement are designed to support the preparation and filing of an Investigational New Drug Application with the United States Food and Drug Administration to allow for the commencement of a Phase 1 clinical trial of CUE-101 in the United States.

On July 5, 2017, the Company entered into a separate Master Services Agreement with Catalent that outlines the terms and conditions under which Catalent will provide contract services with respect to the Company's research and development activities for a period of five years. The Company may terminate this agreement without cause upon 90 days' prior written notice. Unless and until terminated, this agreement will automatically be extended for successive one-year periods.

Collaboration Agreement with Merck

On November 14, 2017, the Company entered into an Exclusive Patent License and Research Collaboration Agreement (the "Collaboration Agreement") with Merck Sharp & Dohme Corp. ("Merck") for a partnership to research and develop certain of the Company's proprietary biologics that target certain autoimmune disease indications (the "Initial Indications"). We view this Collaboration Agreement as a component of our development strategy since it will allow us to advance our autoimmune programs in partnership with a world class pharmaceutical company, while also continuing our focus on our more advanced cancer programs. The research program outlined in the Collaboration Agreement entails (1) our research, discovery and development of certain Immuno-STAT™ drug candidates up to the point of demonstration of certain biologically relevant effects ("Proof of Mechanism") and (2) the further development by Merck of the Immuno-STAT™ drug candidates that have demonstrated Proof of Mechanism (the "Proposed Product Candidates") up to the point of demonstration of all or substantially all of the properties outlined in such Proposed Product Candidates' profiles as described in the Collaboration Agreement.

For the purposes of this collaboration, the Company granted to Merck under the Collaboration Agreement an exclusive license under certain of is patent rights, including a sublicense of patent rights licensed from Einstein, to the extent applicable to the specific Immuno-STAT™ that are elected to be developed by Merck. From the effective date of the Collaboration Agreement until the earlier of (i) the first achievement of Proof of Mechanism for a Immuno-STAT™ drug candidate or (ii) 18 months after the Company notifies the joint steering committee that the first Product Candidate has been synthesized under the research program, the Company is required to forebear from researching, developing or licensing to a third party rights related to any Immuno-STAT™ drug candidate for the treatment of autoimmune diseases other than pursuant to the Collaboration Agreement. On July 12, 2018, the Company announced the generation of the first Product Candidate, Immuno-STAT™, establishing the end-date of the forbearance period as no later than December 14, 2019. In addition, so long as Merck continues product development on a Proposed Product Candidate, the Company is restricted from conducting any development activities within the Initial Indication covered by such Proposed Product Candidate other than pursuant to the Collaboration Agreement. The Company is not required to forbear at any time, however, from developing other Immuno-STAT™ for use in therapeutic areas other than autoimmune diseases, e.g., for use in treating cancer or infectious diseases.

In exchange for the licenses and other rights granted to Merck under the Collaboration Agreement, Merck paid to the Company a $2.5 million nonrefundable up-front payment. Additionally, the Company may be eligible to receive funding in developmental milestone payments, as well as tiered royalties, if all research, development, regulatory and commercial milestones agreed upon by both parties are successfully achieved. Excluding the up-front payment described above, the Company is eligible to earn up to $101 million for the achievement of certain research and development milestones, $120 million for the achievement of certain regulatory milestones and $150 million for the achievement of certain commercial milestones, in addition to tiered royalties on sales, if all pre-specified milestones associated with multiple products across the primary disease indication areas are achieved. The Collaboration Agreement requires the Company to use the first $2.7 million of milestone payments we receive under the agreement to fund contract research. The amount of the royalty payments is a percentage of product sales ranging in the single digits based on the amount of such sales. For the three months ended June 30, 2018, the Company recorded approximately $596,000 in collaboration revenue related to this agreement.

The term of the Collaboration Agreement extends until the expiration of all royalty obligations following a product candidate's receipt of marketing authorization, at which point Merck's licenses and sublicenses granted under the agreement shall become fully paid-up, perpetual licenses and sublicenses, as applicable. Royalties on each product subject to the Collaboration Agreement shall continue on a country-by-country basis until the expiration of the later of: (1) the last-to-expire patent claiming the compound on which such product is based and (2) a period of ten years after the first commercial sale of such product in such country.

Notwithstanding the foregoing, Merck may terminate the Collaboration Agreement at any time upon 30 days' notice to the Company. The Collaboration Agreement may also be terminated by either party if the other party is in breach of its obligations thereunder and fails to cure such breach within 90 days after notice or by either party if the other party files for bankruptcy or other similar insolvency proceedings.

Results of Operations

Revenues

Revenues consist primarily of collaboration revenue related to the Merck Collaboration Agreement for research development services performed during the period. Research and development services include direct expenses incurred in relation to the Merck Collaboration Agreement including personnel, laboratory supplies and outside services.

Operating Expenses

The Company generally recognizes operating expenses as they are incurred in two general categories, general and administrative expenses and research and development expenses. The Company's operating expenses also include non-cash components related to depreciation and amortization of property and equipment and stock-based compensation, which are allocated, as appropriate, to general and administrative expenses and research and development expenses.

General and administrative expenses consist of salaries and related expenses for executive, legal, finance, human resources, information technology and administrative personnel, as well as professional fees, insurance costs, and other general corporate expenses. Management expects general and administrative expenses to increase in future periods as the Company adds personnel and incurs additional expenses related to an expansion of its research and development activities and its operation as a public company, including higher legal, accounting, insurance, compliance, compensation and other expenses.

Research and development expenses consist primarily of compensation expenses, fees paid to consultants, outside service providers and organizations (including research institutes at universities), facility expenses, and development and clinical trial expenses with respect to the Company's product candidates. The Company charges research and development expenses to operations as they are incurred. Management expects research and development expenses to increase in the future as the Company increases its efforts to develop technology for potential future products based on its technology and research.

Three and Six Months Ended June 30, 2018 and 2017

The Company's statements of operations for the three and six months ended June 30, 2018 and 2017 as discussed herein are presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Revenue	$ 172	$ —	$ 363	$ —
Operating expenses:				
General and administrative	2,230	996	3,933	1,884
Research and development	5,414	3,417	11,409	5,879
Total operating expenses	7,644	4,413	15,342	7,763
Loss from operations	(7,472)	(4,413)	(14,979)	(7,763)
Other income (expense):				
Interest income	170	-	170	-
Other income (expense), net	2	-	1	-
Total other income (expense)	172	-	171	-
Net loss	$ (7,300)	$ (4,413)	$ (14,808)	$ (7,763)

Revenue

Collaboration revenue was $172,000 and $363,000 for the three and six months ended June 30, 2018, respectively. There was no collaboration revenue recognized for the six months ended June 30, 2017 as the Company was not a party to any collaboration agreements or other arrangements during that period.

General and Administrative Expenses

General and administrative expenses totaled approximately $2,230,000 and $996,000 for the three months ended June 30, 2018 and 2017, respectively. This increase of approximately $1,234,000 was due primarily to the growth of the Company and its activities. We expect our general and administrative expenses to continue to increase as we expand our operations. General and administrative expenses for the three months ended June 30, 2018 consisted of expenses related to employee and board compensation of approximately $569,000, stock based compensation of $593,000, professional and consulting fees of $363,000, rent of $159,000, insurance expense of $140,000, depreciation and amortization of $9,000, travel of $115,000, and other expenses of $282,000. General and administrative expenses for the three months ended June 30, 2017 included expenses related to employee and board compensation of $272,000, professional and consulting fees of $261,000, rent of $62,000, depreciation and amortization of $3,000, stock-based compensation of $249,000, travel of $60,000, and other expenses of $89,000.

General and administrative expenses totaled approximately $3,933,000 and $1,884,000 for the six months ended June 30, 2018 and 2017, respectively. This increase of approximately $2,049,000 was due primarily to the growth of the Company and its activities. We expect our general and administrative expenses to continue to increase as we expand our operations. General and administrative expenses for the six months ended June 30, 2018 consisted of expenses related to employee and board compensation of approximately $1,028,000, stock based compensation of $972,000, professional and consulting fees of $708,000, rent of $261,000, insurance expense of 276,000 depreciation and amortization of $17,000, travel of $226,000, investor relations of 120,000 and other expenses of $325,000. General and administrative expenses for the six months ended June 30, 2017 included expenses related to employee and board compensation of $507,000, professional and consulting fees of $434,000, rent of $120,000, depreciation and amortization of $6,000, stock-based compensation of $476,000, travel of $130,000, and other expenses of $211,000.

Research and Development Expenses

Research and development expenses totaled approximately $5,414,000 and $3,417,000 for the three months ended June 30, 2018 and 2017, respectively. This increase of approximately $1,997,000 was due primarily to the growth of the Company and its activities. We expect our research and development expenses to continue to increase as we expand our development activities.

Research and development expenses for the three months ended June 30, 2018 included expenses related to employee and Scientific and Clinical Advisory Board compensation of approximately $1,239,000, stock-based compensation of $682,000 depreciation and amortization of $185,000, research and laboratory expenses of $2,347,000, rent of $589,000, other professional fees of $97,000, licensing fees of $22,000, and other expenses of $253,000. Research and development expenses for the three months ended June 30, 2017 included expenses related to employee and Scientific and Clinical Advisory Board compensation of $679,000, depreciation and amortization of $99,000, stock-based compensation of $458,000, research and laboratory expenses of $1,546,000, rent of $432,000, other professional fees of $148,000, licensing fees of $30,000, and other expenses of $25,000.

Research and development expenses totaled approximately $11,409,000 and $5,879,000 for the six months ended June 30, 2018 and 2017, respectively. This increase of approximately $5,530,000 was due primarily to the growth of the Company and its activities. We expect our research and development expenses to continue to increase as we expand our development activities. Research and development expenses for the six months ended June 30, 2018 included expenses related to employee and Scientific and Clinical Advisory Board compensation of approximately $2,472,000, stock-based compensation of $1,461,000 depreciation and amortization of $344,000, research and laboratory expenses of $5,457,000, rent of $1,158,000, licensing fees of $58,000, other professional fees of $158,000, and other expenses of $301,000. Research and development expenses for the six months ended June 30, 2017 included expenses related to employee and Scientific and Clinical Advisory Board compensation of $1,275,000, depreciation and amortization of $163,000, stock-based compensation of $774,000, research and laboratory expenses of $2,400,000, rent of $866,000, licensing fees of $59,000, other professional fees of $263,000, and other expenses of $79,000.

Loss from Operations

The Company’s loss from operations was approximately $7,472,000 and $14,979,000 for the three and six months ended June 30, 2018, respectively, as compared to $4,413,000 and $7,763,000 for the three and six months ended June 30, 2017, respectively.

Liquidity and Capital Resources

The Company has financed its working capital requirements primarily through private and public offerings of equity securities and cash received in December 2017 from Merck in connection with the Collaboration Agreement. At June 30, 2018, the Company had cash, cash equivalents, and restricted cash totaling approximately $45,936,000 available to fund the Company’s ongoing business activities. Additional information concerning the Company’s financial condition and results of operations is provided in the financial statements included in this report.

The amounts that the Company actually spends for any specific purpose may vary significantly and will depend on a number of factors, including, but not limited to, the Company's research and development activities and programs, clinical testing, regulatory approval, market conditions, and changes in or revisions to the Company's business strategy and technology development plans. Investors will be relying on the judgment of the Company's management regarding the application of the proceeds from the sale of the Company's common stock.

The Company believes that its existing cash resources will be sufficient to fund the Company's projected operating requirements for at least the next 12 months from the issuance of this report based on current operating plans. Until the Company is able to generate sustainable revenues that generate operating profitability and positive operating cash flows, the Company expects to finance its future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. However, there can be no assurances that the Company will be able to obtain additional financing on acceptable terms and in the amounts necessary to fully fund its future operating requirements, if at all. If the Company is unable to obtain sufficient cash resources to fund its operations, the Company may be forced to reduce or discontinue its operations entirely.

If the Company issues additional equity securities to raise funds, the ownership percentage of the Company's existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of the Company's common stock. If the Company issues debt securities, the Company may be required to grant security interests in its assets, could have substantial debt service obligations, and lenders may have a senior position (compared to stockholders) in any potential future bankruptcy or liquidation of the Company. Additionally, corporate collaboration and licensing arrangements may require us to incur non-recurring and other charges, give up certain rights relating to our intellectual property and research and development activities, increase our near and long-term expenditures, issue securities that dilute our existing stockholders, issue debt which may require liens on our assets and which will increase our monthly expense obligations, or disrupt our management and business.

The following table summarizes our net decrease in cash, cash equivalents, and restricted cash for the three months ended June 30, 2018 and 2017:

	Six months ended June 30,	
($ in thousands)	**2018**	**2017**
Net cash provided by (used in):		
Operating activities	$(16,215)	$(6,620)
Investing activities	(1,433)	(978)
Financing activities	—	(22)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$(17,648)	$(7,620)

Operating Activities

During the six months ended June 30, 2018, the Company used cash of approximately $16,215,000 in operating activities, as compared to $6,620,000 in operating activities during the six months ended June 30, 2017, respectively. The difference between cash used in operating activities and net loss consisted primarily of depreciation, stock-based compensation, and changes in operating assets and liabilities and the payment of a $1,074,000 deposit pursuant to the January 18, 2018 lease agreement for laboratory and office space in Cambridge, Massachusetts.

Investing Activities

During the six months ended June 30, 2018, the Company used cash of approximately $1,433,000, compared to $978,000 for the same period in 2017 in investing activities for the purchase of office and laboratory equipment.

Financing Activities

During the six months ended June 30, 2017, the Company used cash of approximately $22,000 for deferred public offering costs. There was no impact to cash from financing activities for the six months ended June 30, 2018.

Principal Commitments

Leased Facilities

On July 29, 2015, the Company entered into an operating lease agreement for its laboratory space for the period from August 1, 2015 through April 30, 2018. The lease contained escalating payments during the lease period. The Company records monthly rent expense on the straight-line basis, equal to the total of the lease payments over the lease term divided by the number of months of the lease term.

On July 30, 2015, the Company entered into an operating lease agreement, as amended, for dedicated vivarium space for the period from August 1, 2015 through March 31, 2018.

On November 14, 2016, June 28, 2017, and January 16, 2018, the Company entered into amendments to the operating lease agreement that each provided the Company with additional laboratory space. These amendments were effective beginning December 1, 2016 and July 1, 2017, and January 16, 2018, respectively, and continued through the expiration of the lease on April 30, 2018.

On January 18, 2018, the Company entered into an operating lease agreement for its laboratory and office space in Cambridge, Massachusetts for the period May 1, 2018 through April 30, 2021. Upon execution of this lease agreement, the Company prepaid three months of rent payments.

On June 18, 2018, the Company entered into an amended lease agreement that provided the Company with a reduction in license fees for its office and laboratory space in exchange for prepayment of a portion of the fees. This amendment was effective beginning on May 15, 2018 and expires on April 14, 2021.

Einstein License Agreement and Einstein Service Agreement

During 2015, the Company entered into a license agreement, (the “Einstein License”), with the Albert Einstein College of Medicine, (“Einstein”) for certain patent rights (the “Patents”) relating to the Company’s core technology platform for the engineering of biologics to control T-cell activity, precision, immune-modulatory drug candidates, and two supporting technologies that enable the discovery of costimulatory signaling molecules (ligands) and T-cell targeting peptides. The Company’s remaining commitments with respect to this agreement are based on the attainment of future milestones.

Agreements with Catalent

On March 7, 2017, the Company entered into an agreement with Catalent for Catalent to provide services on a sequential milestone basis with respect to the development and manufacture of the Company’s lead drug candidate, CUE-101. The services under the agreement are designed to support the preparation and filing of an Investigational New Drug Application with the United States Food and Drug Administration to allow for the commencement of a Phase 1 clinical trial of CUE-101 in the United States. The Company incurred total direct costs under this agreement aggregating $0.6 million and $1.3 million, during the three and six months ended June 30, 2018, respectively, and currently estimates that it will incur an additional $3.2 million of such costs during the year ending December 31, 2018. Certain of these payments will consist of nonrefundable advance payments for which the Company anticipates receiving the contracted services within 12 months from the date of payment. Management periodically reviews and updates the project’s estimated budget and timeline.

Contractual Commitments and Other Commitments

On June 18, 2018, the Company entered into a First Amendment (the "First Amendment") to its License Agreement with MIL 2, LLC dated January 22, 2018 (the "License") that delayed the commencement date of the License to May 15, 2018 and reduced the monthly rental rate for the last 18 months of the License term from $388,396 to $330,550. The License has a monthly rental rate of $297,495 for the first 18 months of the License term. The First Amendment also included a prepayment option that reduced the monthly rental rate for the first 7.5 months to $252,000. Besides those effected by the License and the First Amendment, there have been no material changes to our contractual obligations since December 31, 2017. The following table sets forth the Company's estimated fixed obligations and commitments to make future payments under the amended operating lease.

		Payments Due by Period (in thousands)			
Description	Total	Less Than One Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Operating lease obligations	10,218	1,517	8,701	—	—
Total	$ 10,218	$ 1,517	$ 8,701	$ —	$ —

Off-Balance Sheet Transactions

At June 30, 2018, the Company did not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may result from the change in value of financial instruments due to fluctuations in their market price. Market risk is inherent in all financial instruments. The primary quantifiable market risk associated with our financial instruments is sensitivity to changes in interest rates. Interest rate risk represents the potential loss from adverse changes in market interest rates. The primary objective of our investment activities is to preserve principal while maximizing our income from investments and minimizing our market risk. As of June 30, 2018, our portfolio of financial instruments consisted of cash and certificates of deposit. Due to the short term nature of these financial instruments, we believe there is no material exposure to interest rate risk, and/or credit risk, arising from our portfolio of financial instruments.

Our assets and liabilities are denominated in U.S. dollars. Consequently, we have not considered it necessary to use foreign currency contracts or other derivative instruments to manage changes in currency rates. We do not now, nor do we plan to, use derivative financial instruments for speculative or trading purposes. However, these circumstances might change.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We are responsible for maintaining disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures designed to ensure that the 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 SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on our management's evaluation (with the participation of our principal executive officer and our principal financial officer) of our disclosure controls and procedures as required by Rule 13a-15 under the Exchange Act, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2018, the end of the period covered by this report.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and our principal financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. 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. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of 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. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of

two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of control effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. The occurrence of any of these risks could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. In evaluating the Company and its business, you should carefully consider the information included in this Quarterly Report on Form 10-Q and in other documents we file with the SEC, the risk factors previously disclosed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017, and in "Part II, Item1A. Risk Factors" in any subsequently filed Quarterly Report(s) on Form 10-Q. There have been no material changes to such risk factors as of June 30, 2018.

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

Use of Proceeds from Registered Securities

On December 14, 2017, our Registration Statement on Form S-1, as amended (File No. 333-220550), was declared effective by the SEC and, on December 21, 2017, our Registration Statement on Form S-1 (File No. 333-222211) became effective upon filing with the SEC. Each such Registration Statement was filed in connection with our initial public offering that closed on December 27, 2017, as a result of which we raised net proceeds of approximately $61.9 million.

There has been no material change in the planned use of proceeds from our initial public offering as described in the final prospectus with the SEC pursuant to Rule 424(b) under the Securities Act on December 21, 2017.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Filed Herewith	Form	Exhibit	Filing Date	Registration/File No.
3.1	Amended and Restated Certificate of Incorporation of the Registrant		8-K	3.1	12/27/17	001-38327
3.2	Amended and Restated Bylaws of the Registrant		S-1	3.5	12/05/17	333-220550
10.1	First Amendment to the License Agreement between the Registrant and MIL 21E, LLC dated June 18, 2018		10-K	10.21	03/29/18	001-38327
10.2	Executive Employment Agreement between the Registrant and Anish Suri dated as of April, 2018	X				
10.3	Executive Employment Agreement between the Registrant and Bethany Mancilla dated as of June 22, 2018	X				
31.1	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	X				
31.2	Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	X				
32.1	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema Documents	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Documents	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Documents	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Documents	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documents	X				

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cue Biopharma, Inc.

Dated: August 13, 2018

By: /s/ Daniel R. Passeri

Daniel R. Passeri
Chief Executive Officer and Director
(Principal Executive Officer)

Dated: August 13, 2018

By: /s/ Kerri-Ann Millar

Kerri-Ann Millar
Vice President, Finance
(Principal Financial and Accounting Officer)

CUE BIOPHARMA, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement ("**Agreement**"), dated as of April 10, 2018 (the "**Effective Date**"), is made by and between Cue Biopharma, Inc., a Delaware corporation ("**Cue**"), and Anish Suri ("**Executive**," and together with Cue, the "**Parties**").

WHEREAS, Cue desires to employ Executive, and Executive desires to be so employed, pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. POSITION AND DUTIES.

(a) Beginning on April 26th, 2018, Cue shall employ Executive as its Senior Vice President and Chief Science Officer ("**CSO**"). In Executive's role as CSO, Executive shall have such duties and authority commensurate with the position of CSO, and such other duties commensurate with the positions that may be assigned by the Board of Directors of Cue (the "**Board**") or the Chief Executive Officer of Cue (the "**CEO**").

(b) Executive shall report directly to the CEO.

(c) Executive shall devote all of Executive's business time, energy, judgment, knowledge and skill and Executive's best efforts to the performance of Executive's duties with Cue, *provided* that the foregoing shall not prevent Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs or (ii) managing Executive's passive personal investments, so long as such activities in the aggregate do not interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict.

2. TERM. Subject to the remaining terms of this **Section 2**, and **Section 7**, this Agreement shall be for an initial term that begins on the Effective Date and continues in effect through April 26, 2020 (the "**Initial Term**") and, unless terminated sooner as herein provided, shall continue on a year-to-year basis after the Initial Term (each year, a "**Renewal Term**," and each Renewal Term together with the Initial Term, the "**Term**"). If either Party elects not to renew this Agreement, that Party must give a written notice of non-renewal to the other Party at least 60 days before the expiration of the then-current Initial Term or Renewal Term. In the event that one Party provides the other with a notice of non-renewal pursuant to this **Section 2**, no further automatic extensions shall occur and this Agreement shall terminate at the end of the then-existing Initial Term or Renewal Term, as applicable, and such non-renewal shall not result in any entitlement to compensation pursuant to **Section 8** below or otherwise.

3. BASE SALARY. During the Term, Cue shall pay Executive a base salary ("**Base Salary**") at the rate of $27,083 per month, which equates to at an annual rate of $325,000, in accordance with the regular payroll practices of Cue. The Base Salary shall be subject to annual review and adjustment in accordance with Cue's normal compensation practices.

4. ANNUAL BONUS. Each year during the Term, Executive shall be eligible to receive an annual incentive bonus (the "**Annual Bonus**") of up to 30% of the Base Salary, subject to achievement of key performance indicators for Cue, with the level of achievement determined by the Compensation Committee of the Board or its delegate (the "**Committee**"). The Committee shall establish such key performance indicators. The terms of the

Annual Bonus developed by the Committee shall govern any Annual Bonus that may be paid. Any Annual Bonus shall be paid in all events within two and one-half months after the end of the year in which such Annual Bonus becomes earned, *provided* that no Annual Bonus shall be considered earned until the Board makes all necessary determinations with respect to the Annual Bonus.

5. STOCK OPTIONS.

(a) **NUMBER OF SHARES.** As soon as practicable following the Effective Date, Executive shall be granted an Option (as defined in the Cue Biopharma, Inc. 2016 Omnibus Incentive Plan (the "**Plan**")) to purchase 250,000 shares of Cue's common stock (the "**Common Stock**") (the "**Option**").

(b) **EXERCISE PRICE; TERM.** The exercise price per share of the Option shall be equal to the Fair Market Value (as defined in the Plan) of a share of Common Stock as of the Grant Date (as defined in the Plan). The Option shall have a term that expires no later than seven years from the Grant Date.

(c) **PLAN TERMS CONTROL.** The Option shall be subject to the terms and conditions applicable to Options granted under the Plan, as described in the Plan and the applicable Award Agreement (as defined in the Plan).

(d) **SCHEDULED EXERCISABILITY.** The Option shall become exercisable over four years in equal, semi-annual installments beginning six months from the Grant Date, subject to the terms and conditions of the Plan and the applicable Award Agreement.

6. EMPLOYEE BENEFITS.

(a) **BENEFIT PLANS.** During the Term, Executive shall be entitled to participate in any employee benefit plans that Cue has adopted or may adopt, maintains or contributes to for the benefit of its employees generally, subject to satisfying the applicable eligibility requirements, except to the extent such plans are duplicative of the benefits otherwise provided to Executive hereunder. Executive's participation shall be subject to the terms of the applicable plan documents and generally applicable Cue policies. Notwithstanding the foregoing, Cue may modify or terminate any employee benefit plan at any time.

(b) **VACATIONS.** During the Term, Executive shall be entitled to paid vacation time in accordance with Cue's policy applicable to senior management employees as in effect from time to time (the "**Vacation Policy**"). Since vacation time is not accrued, unused vacation time may not be carried forward from one calendar year to any subsequent calendar year and shall not be paid out upon termination.

(c) **BUSINESS EXPENSES.** Upon presentation of reasonable substantiation and documentation as Cue may require from time to time, Executive shall be reimbursed in accordance with Cue's expense reimbursement policy, for all reasonable out-of-pocket business expenses incurred and paid by Executive during the Term and in connection with the performance of Executive's duties hereunder.

(d) **RELOCATION EXPENSES.** Cue shall pay, or reimburse Executive for, reasonable relocation expenses up to $50,000 incurred by Executive relating to Executive's relocation to Massachusetts in accordance with the terms of any applicable Cue relocation policy. If Executive's employment is terminated by Cue for Cause or by Executive without Good Reason within the first 12 months after the Effective Date, Executive shall be required to repay Cue the gross amount of any relocation expenses paid or reimbursed under this **Section 6(d).**

7. **TERMINATION.** Executive's employment under this Agreement shall terminate on the first to occur of the following:

(a) **DISABILITY.** Upon 10 days' prior written notice by Cue to Executive of termination due to Disability. "**Disability**" shall mean Executive is unable to perform each of the essential duties of Executive's position by reason of a medically determinable physical or mental impairment that is potentially permanent in character or that can be expected to last for a continuous period of not less than 12 months.

(b) **DEATH.** Automatically upon the death of Executive.

(c) **CAUSE.** Immediately upon written notice by Cue to Executive of a termination for Cause. "**Cause**" shall mean:

(i) the commission of any act by Executive constituting financial dishonesty against Cue or its Affiliates (which act would be chargeable as a crime under applicable law);

(ii) Executive's engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment that would (a) materially adversely affect the business or the reputation of Cue or any of its Affiliates with their respective current or prospective customers, suppliers, lenders or other third parties with whom such entity does or might do business or (b) expose Cue or any of its Affiliates to a risk of civil or criminal legal damages, liabilities or penalties;

(iii) the repeated failure by Executive to follow the directives of the Board or the CEO;

(iv) any material misconduct, violation of Cue's or its Affiliates' policies, or willful and deliberate non-performance of duty by Executive in connection with the business affairs of Cue or its Affiliates; or

(v) Executive's material breach of this Agreement.

Executive shall be given written notice detailing the specific Cause event and a period of 10 days following Executive's receipt of such notice to cure such event (if susceptible to cure) to the reasonable satisfaction of the Board. Notwithstanding anything to the contrary contained herein, Executive's right to cure as set forth in the preceding sentence shall not apply if there are habitual or repeated breaches by Executive. A termination for Cause shall be deemed to include a determination by the Board or its designee following Executive's termination of service that circumstances existing prior to such termination would have entitled Cue to have terminated Executive for Cause. All rights Executive has or may have under this Agreement shall be suspended automatically during the pendency of any investigation by the Board or its designee, or during any negotiations between the Board or its designee and Executive, regarding any actual or alleged act or omission by Executive of the type described in this definition of Cause.

(d) **GOOD REASON.** Upon written notice by Executive to Cue of a termination for Good Reason. "**Good Reason**" shall mean the occurrence of any of the following events, without the consent of Executive, unless such events are fully corrected in all material respects by Cue within 30 days following written notification by Executive to Cue of the occurrence of one of the events:

(i) a material diminution in Executive's Base Salary or Annual Bonus opportunity;

(ii) a material diminution in Executive's authority or duties set forth in **Section 1** above (for sake of clarity, a change in title shall not constitute Good Reason), other than temporarily while physically or mentally incapacitated, as required by applicable law;

(iii) a relocation of Executive's primary work location by more than 25 miles from its then current location; or

(iv) a material breach by Cue of a material term of this Agreement.

Executive shall provide Cue with a written notice detailing the specific circumstances alleged to constitute Good Reason within 30 days after the first occurrence of such circumstances, and actually terminate employment within 30 days following the expiration of Cue's 30-day cure period described above. Otherwise, any claim of such circumstances as Good Reason shall be deemed irrevocably waived by Executive.

(e) **WITHOUT CAUSE.** Immediately upon written notice by Cue to Executive of an involuntary termination without Cause (other than for death or Disability).

(f) **VOLUNTARY TERMINATION.** Upon 60 days' prior written notice by Executive to Cue of Executive's voluntary termination of employment without Good Reason (which Cue may make effective earlier than any notice date).

8. CONSEQUENCES OF TERMINATION.

(a) **DEATH/DISABILITY.** In the event that Executive's employment ends on account of Executive's death or Disability, Executive or Executive's estate, as the case may be, shall be entitled to the following (with the amounts due under **Sections 8(a)(i)** through **8(a)(iv)** below to be paid within 60 days following termination of employment, or such earlier date as may be required by applicable law):

(i) any unpaid Base Salary through the date of termination;

(ii) any Annual Bonus for the year prior to the year in which such termination occurs that is earned but unpaid prior to the date of termination;

(iii) reimbursement for any unreimbursed business expenses incurred through the date of termination;

(iv) any accrued but unused vacation time in accordance with Cue policy, which shall be prorated for any year in which Executive's employment with Cue is terminated;

(v) all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant (collectively, **Sections 8(a)(i)** through **8(a)(v)** hereof shall be hereafter referred to as the "**Accrued Benefits**"); and

(vi) an Annual Bonus for the year in which such termination occurs, determined and payable pursuant to the terms and conditions of **Section 4** above as though no such termination had occurred.

(b) **TERMINATION FOR CAUSE OR WITHOUT GOOD REASON.** If Executive's employment is terminated (i) by Cue for Cause or (ii) by Executive without Good Reason, Cue shall pay to Executive the Accrued Benefits (other than the Annual Bonus described in **Section 8(a)(ii)** above).

(c) **TERMINATION WITHOUT CAUSE OR FOR GOOD REASON.** If Executive's employment by Cue is terminated by Cue other than for Cause or Executive's death or Disability or by Executive for Good Reason, Cue shall pay or provide Executive the following:

(i) the Accrued Benefits; and

(ii) subject to Executive's compliance with **Section 9** below and Executive's continued compliance with **Section 10** below, a lump sum cash severance payment in an amount equal to (A) the target Annual Bonus for the year of termination, prorated based on the number of days that Executive is employed in such year through the date of termination plus (B) six months of Base Salary, with such lump sum payable on the first payroll date of Cue that occurs more than 60 days after Executive's termination (collectively, the "**Severance Amount**").

Payments and benefits provided under this **Section 8(c)** shall be in lieu of any termination or severance payments or benefits to which Executive may be eligible under any of the plans, policies or programs of Cue or under the Worker Adjustment Retraining Notification Act of 1988, as amended, or any similar state statute or regulation. Should Executive die prior to the payment of the Severance Amount, the Severance Amount shall be paid to the heirs or estate of Executive in accordance with the schedule set forth herein.

(d) **OTHER OBLIGATIONS.** Upon any termination of Executive's employment with Cue, Executive shall automatically be deemed to have resigned from any and all other positions she then holds as an officer, director or fiduciary of Cue and any other entity that is part of the same consolidated group as Cue or in which capacity Executive serves at the direction of or as a result of Executive's position with Cue; and Executive shall, within 10 days of such termination, take all actions as may be necessary under applicable law or requested by Cue to effect any such resignations.

(e) **EXCLUSIVE REMEDY.** The amounts payable to Executive following termination of employment hereunder pursuant to **Sections 8(a)**, **(b)** and **(c)** above shall be in full and complete satisfaction of Executive's rights under this Agreement and any other claims that Executive may have in respect of Executive's employment with Cue or any of its Affiliates, and Executive acknowledges that such amounts are fair and reasonable, and are Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, with respect to the termination of Executive's employment hereunder or any breach of this Agreement.

(f) **NO MITIGATION OR OFFSET.** Executive shall not be required to seek or accept other employment or otherwise to mitigate damages as a condition to the receipt of benefits pursuant to this **Section 8**, and amounts payable pursuant to this **Section 8** shall not be offset or reduced by any amounts received by Executive from other sources.

(g) **NO WAIVER OF ERISA-RELATED RIGHTS.** Nothing in this Agreement shall be construed to be a waiver by Executive of any benefits accrued for or due to Executive under any employee benefit plan (as such term is defined in the Employee Retirement Income Security Act of 1974, as amended) maintained by Cue, if any, except that Executive shall not be entitled to any severance benefits pursuant to any severance plan or program of Cue other than as provided herein.

(h) **CLAWBACK.** All awards, amounts or benefits received or outstanding under this Agreement shall be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any applicable law related to such actions, as may be in effect from time to time. Cue may take such actions as may be necessary to effectuate any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, whether adopted before or after the Effective Date, without further consideration or action.

9. RELEASE. Any and all amounts payable and benefits or additional rights provided pursuant to this Agreement upon termination beyond the Accrued Benefits shall only be payable if Executive delivers to Cue and does not revoke a general release of claims in favor of Cue in a form satisfactory to Cue. Such release shall be furnished to Executive within two business days after Executive's date of termination, and must be executed and delivered (and no longer subject to revocation, if applicable) within 30 days following termination (or such longer period to the extent required by law).

10. RESTRICTIVE COVENANTS.

(a) **CONFIDENTIALITY.**

(i) **COMPANY INFORMATION.** At all times during the Term and thereafter, Executive shall hold in strictest confidence, and shall not use, except in connection with the performance of Executive's duties, and shall not disclose to any person or entity, any Confidential Information of Cue. "**Confidential Information**" means any Cue proprietary or confidential information, technical data, trade secrets or know-how, including research, product plans, products, services, customer lists and customers, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, marketing, distribution and sales methods and systems, sales and profit figures, finances and other business information disclosed to Executive by Cue, either directly or indirectly in writing, orally or by drawings or inspection of documents or other tangible property. However, Confidential Information does not include any of the foregoing items which has become publicly known and made generally available through no wrongful act of Executive.

(ii) **EXECUTIVE-RESTRICTED INFORMATION.** During the Term, Executive shall not improperly use or disclose any proprietary or confidential information or trade secrets of any person or entity with whom Executive has an agreement or duty to keep such information or secrets confidential.

(iii) **THIRD PARTY INFORMATION.** Executive recognizes that Cue has received and in the future shall receive from third parties their confidential or proprietary information subject to a duty on Cue's part to maintain the confidentiality of such information and to use it only for certain limited purposes. At all times during the Term and thereafter, Executive shall hold in strictest confidence, and shall not use, except in connection with the performance of Executive's duties, and shall not disclose to any person or entity, such third party confidential or proprietary information, and shall not use it except as necessary in performing Executive's duties, consistent with Cue's agreement with such third party.

(b) **NONCOMPETITION.** Executive acknowledges that (i) Executive performs services of a unique nature for Cue that are irreplaceable, and that Executive's performance of such services to a competing business shall result in irreparable harm to Cue, (ii) Executive is a member of the management personnel of Cue, (iii) Executive has had and will continue to have access to Confidential Information and trade secrets which, if disclosed, would unfairly and inappropriately assist in competition against Cue, (iv) in the course of Executive's employment by a competitor, Executive would inevitably use or disclose such Confidential Information and trade secrets, (v) Cue has substantial relationships with its customers and Executive has had and will continue to have access to these customers, (vi) Executive has received and will receive specialized experience and training from Cue and (vii) Executive has generated and will continue to generate goodwill for Cue in the course of Executive's employment. Accordingly, during Executive's employment with Cue or its Affiliates and for a period of 12 months thereafter, Executive shall not, directly or indirectly, own, manage, operate, control, be employed by or render services to (whether as an employee, consultant, independent contractor or otherwise, and whether or not for compensation, in each case in the capacity or any substantially similar capacity that Executive rendered services to Cue or its Affiliates) any person or entity, in whatever form, that competes with Cue or its Affiliates in any city or state in which Cue conducts business (which shall include any city or state where Cue or its Affiliates sells its products or otherwise conducts business as of the date of the termination of Executive's employment). Notwithstanding the foregoing, nothing herein shall prohibit Executive from being a passive owner of not more than 1% of the equity shares of a publicly-traded corporation engaged in a business that is in competition with Cue or its Affiliates, so long as Executive has no active participation in the business of such corporation.

(c) **NONSOLICITATION; NONINTERFERENCE.**

(i) During Executive's employment with Cue and for a period of 24 months thereafter, Executive shall not, except in the furtherance of Executive's duties with Cue, directly or indirectly, individually or on behalf of any other person or entity, (i) solicit, aid or induce any customer of Cue or its Affiliates with whom Executive had meaningful business contact to purchase goods or services then sold by Cue or its Affiliates from another person or entity or assist or aid any other person or entity with whom Executive had meaningful business contact in identifying or soliciting any such customer, or (ii) interfere, or aid or induce any other person or entity with whom Executive had meaningful business contact in interfering, with the relationship between Cue or its Affiliates and any of their respective vendors, customers, joint venturers, licensees or licensors.

(ii) During Executive's employment with Cue and for a period of 24 months thereafter, Executive shall not, except in the furtherance of Executive's duties with Cue, directly or indirectly, individually or on behalf of any other person or entity, solicit, aid or induce any employee, consultant, representative or agent of Cue or its Affiliates (or any employee, consultant, representative or agent who has left the employment or retention of Cue or its Affiliates less than one year prior to the date that Executive solicits, aids or induces such person or entity (a "**Covered Person**")) to any other person or entity unaffiliated with Cue or hire or retain any such employee, consultant, representative or agent or any Covered Person, or take any action to materially assist or aid any other person or entity in identifying, hiring or soliciting any such employee, consultant, representative or agent or any Covered Person.

(d) **NONDISPARAGEMENT.** Executive shall not make negative comments or otherwise disparage Cue or any company or other trade or business that "controls," is "controlled by" or is "under common control with," Cue within the meaning of Rule 405 of Regulation C under the Securities Act, including any "subsidiary corporation" of Cue within the meaning of Section 424(f) of the Internal Revenue Code of 1986 ("**Affiliates**") or any of their officers, directors, managers, employees, consultants, equityholders, agents or products. The foregoing shall not be violated by truthful statements (i) in response to legal process, required governmental testimony or filings or administrative or arbitral proceedings (including depositions in connection with such proceedings) or (ii) made in the course of Executive discharging Executive's duties for Cue.

(e) **COOPERATION.** Upon the receipt of reasonable notice from Cue, while employed by Cue and thereafter, Executive shall respond and provide information with regard to matters in which Executive has knowledge as a result of Executive's employment with Cue, and shall provide reasonable assistance to Cue, its Affiliates and their respective representatives in defense of any claims that may be made against Cue or its Affiliates, and shall assist Cue and its Affiliates in the prosecution of any claims that may be made by Cue or its Affiliates, to the extent that such claims may relate to the period of Executive's employment with Cue (collectively, the "**Claims**"). Executive shall promptly inform Cue if Executive becomes aware of any lawsuits involving Claims that may be filed or threatened against Cue or its Affiliates. Executive also shall promptly inform Cue (to the extent that Executive is legally permitted to do so) if Executive is asked to assist in any investigation of Cue or its Affiliates (or their actions) or another party attempts to obtain information or documents from Executive (other than in connection with any litigation or other proceeding in which Executive is a party-in-opposition) with respect to matters Executive believes in good faith to relate to any investigation of Cue or its Affiliates, in each case, regardless of whether a lawsuit or other proceeding has then been filed against Cue or its Affiliates with respect to such investigation, and shall not do so unless legally required. During the pendency of any litigation or other proceeding involving Claims, Executive shall not communicate with anyone (other than Executive's attorneys and tax and/or financial advisors and except to the extent that Executive determines in good faith is necessary in connection with the performance of Executive's duties hereunder) with respect to the facts or subject matter of any pending or potential litigation or regulatory or administrative proceeding involving Cue or any of its Affiliates without getting the prior written consent of Cue. Upon presentation of appropriate documentation, Cue shall pay or reimburse Executive for all reasonable out-of-pocket travel, duplicating or telephonic expenses incurred by Executive in accordance with Cue's applicable policies in complying with this **Section 10(e)**, and Executive shall be compensated by Cue at a reasonable hourly rate for assistance given after the end of the Term.

(f) **OWNERSHIP OF INFORMATION, IDEAS, CONCEPTS, IMPROVEMENTS, DISCOVERIES AND INVENTIONS, AND ALL ORIGINAL WORKS OF AUTHORSHIP.**

(i) As between the Parties, all information, ideas, concepts, improvements, discoveries and inventions, whether patentable or not, which are conceived, made, developed or acquired by Executive or which are disclosed or made known to Executive, individually or in conjunction with others, during the Term and which relate to Cue's business, products or services (including all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of clients or customers or their requirements, the identity of key contacts within the client or customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) are and shall be the sole and exclusive property of Cue. Moreover, all drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, maps and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries and inventions are and shall be the sole and exclusive property of Cue.

(ii) In particular, Executive hereby specifically assigns and transfers to Cue all of Executive's worldwide right, title and interest in and to all such information, ideas, concepts, improvements, discoveries or inventions, and any United States or foreign applications for patents, inventor's certificates or other industrial rights that may be filed thereon, and applications for registration of such names and marks. During the Term and thereafter, Executive shall assist Cue and its nominee at all times in the protection of such information, ideas, concepts, improvements, discoveries or inventions, both in the United States and all foreign countries, including the execution of all lawful oaths and all assignment documents requested by Cue or its nominee in connection with the preparation, prosecution, issuance or enforcement of any applications for United States or foreign letters patent, and any application for the registration of such names and marks.

(iii) Moreover, if during the Term, Executive creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as reports, videotapes, written presentations, computer programs, drawings, maps, architectural renditions, models, manuals, brochures or the like) relating to Cue's business, products or services, whether such work is created solely by Executive or jointly with others, Cue shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work is not prepared by Executive within the scope of Executive's employment but is specially ordered by Cue as a contribution to a collective work, as a part of any written or audiovisual work, as a translation, as a supplementary work, as a compilation or as an instructional text, then the work shall be considered to be work made for hire and Cue shall be the author of the work. In the event such work is neither prepared by Executive within the scope of Executive's employment or is not a work specially ordered and deemed to be a work made for hire, then Executive shall assign, and by these presents, does assign, to Cue all of Executive's worldwide right, title and interest in and to such work and all rights of copyright therein. Both during the Term and thereafter, Executive shall assist Cue and its nominee, at any time, in the protection of Cue's worldwide right, title and interest in and to the work and all rights of copyright therein, including the execution of all formal assignment documents requested by Cue or its nominee and the execution of all lawful oaths and applications for registration of copyright in the United States and foreign countries; *provided*, *however*, that Executive shall be compensated by Cue at a reasonable hourly rate for assistance given after the end of the Term.

(iv) Notwithstanding the foregoing provisions of this **Section 10(f)**, Cue hereby notifies Executive that the provisions of this **Section 10(f)** shall not apply to any inventions for which no equipment, supplies, facility or trade secret information of Cue was used and which were developed entirely on Executive's own time, unless (A) the invention relates (1) to the business of Cue, or (2) to actual or demonstrably anticipated research or development of Cue, or (B) the invention results from any work performed by Executive for Cue.

(g) **RETURN OF COMPANY PROPERTY.** On the date of Executive's termination of employment with Cue for any reason (or at any time prior thereto at Cue's request), Executive shall return all property belonging to Cue or its Affiliates (including any Cue or Affiliate-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents or property belonging to Cue or an Affiliate).

(h) **EFFECT OF EXECUTIVE BECOMING A BAD LEAVER.** Notwithstanding any provision of this Agreement to the contrary, if (i) Executive breaches any of the covenants set forth in this Agreement at any time during the period commencing on the Effective Date and ending 24 months after Executive's termination of employment with Cue for any reason and (ii) Executive fails to cure such breach within 10 days of the effective date of written notice of such breach given by Cue, then Executive shall be deemed a "**Bad Leaver**." If Executive is or becomes a Bad Leaver, then (i) any severance being paid to Executive pursuant to this Agreement or otherwise shall immediately cease upon commencement of such action and (ii) Executive shall be liable to repay to Cue any severance previously paid to Executive by Cue, less $100 to serve as consideration for the release described in **Section 9** above.

(i) **TOLLING.** If Executive violates any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue shall run from the first date on which Executive ceases to be in violation of such obligation.

11. EQUITABLE RELIEF AND OTHER REMEDIES. Executive acknowledges that Cue's remedies at law for a breach or threatened breach of any of the provisions of **Section 10** above would be inadequate and in the event of such a breach or threatened breach, in addition to any remedies at law, Cue, without posting any bond, shall be entitled to seek to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy that may then be available, without the necessity of showing actual monetary damages or the posting of a bond or other security.

12. NO ASSIGNMENTS. This Agreement is personal to each of the Parties. Except as provided in this **Section 12**, neither Party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other Party. Cue may assign this Agreement to any of its Affiliates or to any successor to all or substantially all of the business and/or assets of Cue, *provided* that Cue shall require such Affiliate or successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Cue would be required to perform it if no such succession had taken place. As used in this Agreement, "Cue" shall mean Cue and any Affiliate or successor to its business and/or assets that assumes and agrees to perform the duties and obligations of Cue under this Agreement by operation of law or otherwise.

13. NOTICE. Any notice that either Party may be required or permitted to give to the other shall be in writing and may be delivered personally, by electronic mail or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as Cue may notify Executive from time to time; and to Executive at Executive's electronic mail or postal address as shown on the records of Cue from time to time, or at such other electronic mail or postal address as Executive, by notice to Cue, may designate in writing from time to time.

14. SECTION HEADINGS; INCONSISTENCY. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between the terms of this Agreement and any form, award, plan or policy of Cue, the terms of this Agreement shall govern and control.

15. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction.

16. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

17. APPLICABLE LAW; CHOICE OF VENUE AND CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) All questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal laws of the State of Delaware applicable to agreements made and wholly to be performed in such state without regard to conflicts of law provisions of any jurisdiction.

(b) For purposes of resolving any dispute that arises directly or indirectly from the relationship of the Parties evidenced by this Agreement, the Parties hereby submit to and consent to the exclusive jurisdiction of the Commonwealth of Massachusetts and further agree that any related litigation shall be conducted solely in the courts of Middlesex County, Massachusetts or the federal courts for the United States for the District of Massachusetts, where this Agreement is made and/or to be performed, and no other courts.

(c) Each Party may be served with process in any manner permitted under State of Delaware law, or by United States registered or certified mail, return receipt requested.

(d) BY EXECUTION OF THIS AGREEMENT, THE PARTIES ARE WAIVING ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED ON THIS AGREEMENT.

18. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer or director as may be designated by Cue. No waiver by either Party at any time of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement together with all exhibits hereto sets forth the entire agreement of the Parties in respect of the subject matter contained herein and supersedes any and all prior agreements or understandings between Executive and Cue or its Affiliates with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof, have been made by either Party that are not expressly set forth in this Agreement.

19. REPRESENTATIONS. Executive represents and warrants to Cue that (a) Executive has the legal right to enter into this Agreement and to perform all of the obligations on Executive's part to be performed hereunder in accordance with its terms, and (b) Executive is not a party to any agreement or understanding, written or oral, and is not subject to any restriction, which, in either case, could prevent Executive from entering into this Agreement or performing all of Executive's duties and obligations hereunder.

20. TAX MATTERS.

(a) **WITHHOLDING.** Any and all amounts payable under this Agreement or otherwise shall be subject to, and Cue may withhold from such amounts, any federal, state, local or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

(b) **SECTION 409A COMPLIANCE.**

(i) The intent of the Parties is that payments and benefits under this Agreement be exempt from (to the extent possible) Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986 and the regulations and guidance promulgated thereunder, as amended (collectively, the "**Code**") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Parties of the applicable provision without violating the provisions of Section 409A. In no event shall Cue be liable for any additional tax, interest or penalty that may be imposed on Executive by Section 409A or damages for failing to comply with Section 409A.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" under Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding anything to the contrary in this Agreement, if Executive is deemed on the date of termination to be a "specified employee" under Section 409A, then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the earlier of (A) the expiration of the six-month period measured from the date of such "separation from service" of Executive, and (B) the date of Executive's death, to the extent required under Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this **Section 20(b)(ii)** (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum on the first business day following the six-month period, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(iii) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit and (C) no such reimbursement, expenses eligible for reimbursement or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(iv) For purposes of Section 409A, Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be at the sole discretion of the Board.

(v) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

(c) **MODIFICATION OF PAYMENTS.** In the event it shall be determined that any payment, right or distribution by Cue or any other person or entity to or for the benefit of Executive pursuant to the terms of this Agreement or otherwise, in connection with, or arising out of, Executive's employment with Cue or a change in ownership or effective control of Cue or a substantial portion of its assets (a "**Payment**") is a "parachute payment" within the meaning of Code Section 280G on account of the aggregate value of the Payments due to Executive being equal to or greater than three times the "base amount," as defined in Code Section 280G (the "**Parachute Threshold**"), so that Executive would be subject to the excise tax imposed by Code Section 4999 (the "**Excise Tax**") and the net after-tax benefit that Executive would receive by reducing the Payments to the Parachute Threshold is greater than the net after-tax benefit Executive would receive if the full amount of the Payments were paid to Executive, then the Payments payable to Executive shall be reduced (but not below zero) so that the Payments due to Executive do not exceed the amount of the Parachute Threshold, reducing first any Payments under **Section 8** above.

BY SIGNING THIS AGREEMENT BELOW, EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE:

(1) HAS READ AND UNDERSTOOD THE ENTIRE AGREEMENT;

(2) HAS HAD THE OPPORTUNITY TO ASK QUESTIONS AND CONSULT COUNSEL OR OTHER ADVISORS ABOUT THE AGREEMENT'S TERMS; AND

(3) AGREES TO BE BOUND BY THE AGREEMENT.

IN WITNESS WHEREOF, Cue has caused this Agreement to be executed in its name and on its behalf, and Executive acknowledges understanding and acceptance of, and agrees to, the terms of this Agreement, all as of the Effective Date.

CUE BIOPHARMA, INC.	**ANISH SURI**
/s/ Daniel R. Passeri	/s/ Anish Suri
Print Name: Daniel R. Passeri	
Title: President and Chief Executive Officer	

CUE BIOPHARMA, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement ("**Agreement**"), dated as of June 22, 2018, is made by and between Cue Biopharma, Inc., a Delaware corporation ("**Cue**"), and Bethany Mancilla ("**Executive**," and together with Cue, the "**Parties**").

WHEREAS, Cue desires to employ Executive, and Executive desires to be so employed, pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. POSITION AND DUTIES.

(a) Cue shall employ Executive as its Senior Vice President and Chief Business Officer ("**CBO**"). In Executive's role as CBO, Executive shall oversee general corporate strategy, including strategic planning, business development and financing initiatives, have such other duties and authority as are commensurate with the position of CBO, and such other duties and authority commensurate with the position of a senior executive and as may be assigned by the Board of Directors of Cue (the "**Board**") or the Chief Executive Officer of Cue (the "**CEO**").

(b) Executive shall report directly to the CEO.

(c) Executive shall devote all of Executive's business time, energy, judgment, knowledge and skill and Executive's best efforts to the performance of Executive's duties with Cue, *provided* that the foregoing shall not prevent Executive from (i) participating in charitable, civic, educational, professional, community or industry affairs or (ii) managing Executive's passive personal investments, so long as such activities in the aggregate do not interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict.

(d) It is acknowledged and agreed that Executive lives in California and will not be required to relocate to Massachusetts or elsewhere in connection with her employment by the Company pursuant to this Agreement. Executive agrees to travel to the Company's offices in Massachusetts so that she is present thereat at least one week per month and otherwise from time to time, as reasonably required by the Company, in connection with the performance of her duties. The Company shall reimburse Executive for all reasonable travel expenses incurred in connection with working at the Company's principal office.

2. TERM. Subject to the remaining terms of this **Section 2**, and **Section 7**, this Agreement shall be for an initial term that begins on August 1, 2018 (the "**Effective Date**") and continues in effect through July 31, 2020 (the "**Initial Term**") and, unless terminated sooner as herein provided, shall continue on a year-to-year basis after the Initial Term (each year, a "**Renewal Term**," and each Renewal Term together with the Initial Term, the "**Term**"). If either Party elects not to renew this Agreement, that Party must give a written notice of non-renewal to the other Party at least 60 days before the expiration of the then-current Initial Term or Renewal Term. In the event that one Party provides the other with a notice of non-renewal pursuant to this **Section 2**, no further automatic extensions shall occur and this Agreement shall terminate at the end of the then-existing Initial Term or Renewal Term, as applicable. If Cue provides Executive with notice of non-renewal, then the compensation provisions of Section 8(c) for Termination Without Cause shall be paid to Executive.

3. **BASE SALARY.** During the Term, Cue shall pay Executive a base salary ("**Base Salary**") at the rate of $27,917 per month, which equates to at an annual rate of $335,000, in accordance with the regular payroll practices of Cue. The Base Salary shall be subject to annual review and adjustment in accordance with Cue's normal compensation practices.

4. **ANNUAL BONUS.** Each year during the Term, Executive shall be eligible to receive an annual incentive bonus (the "**Annual Bonus**") of up to 30% of the Base Salary, subject to achievement of key performance indicators for Cue, with the level of achievement determined by the Compensation Committee of the Board or its delegate (the "**Committee**"). The Committee shall establish such key performance indicators. The terms of the Annual Bonus developed by the Committee shall govern any Annual Bonus that may be paid. Any Annual Bonus shall be paid in all events within two and one-half months after the end of the year in which such Annual Bonus becomes earned, *provided* that the Annual Bonus shall be considered earned on the last day of the performance year, subject to the determination that the key performance indicators were achieved.

5. **STOCK OPTIONS.**

(a) **NUMBER OF SHARES.** Upon the Effective Date, Executive shall be granted Options (as defined in, and subject to the terms and conditions of, the Cue Biopharma, Inc. 2016 Omnibus Incentive Plan (the "**Plan**")) to purchase 350,000 (250,000 of which shall be time-based and 100,000 of which shall be performance-based) shares of Cue's common stock (the "**Common Stock**") (the "**Options**") pursuant to award agreements substantially in the forms attached hereto as **Exhibit A-1 and Exhibit A-2** (the "**Award Agreements**").

(b) **EXERCISE PRICE; TERM.** The exercise price per share of the Options shall be equal to the Fair Market Value (as defined in the Plan) of a share of Common Stock as of the Grant Date (as defined in the Plan). The Options shall have a term that expires no later than seven years from the Grant Date.

(c) **PLAN TERMS CONTROL.** The Options shall be subject to the terms and conditions applicable to Options granted under the Plan, as described in the Plan and the applicable Award Agreement (as defined in the Plan).

6. **EMPLOYEE BENEFITS.**

(a) **BENEFIT PLANS.** During the Term, Executive shall be entitled to participate in any employee benefit plans that Cue has adopted or may adopt, maintains or contributes to for the benefit of its employees generally, subject to satisfying the applicable eligibility requirements, except to the extent such plans are duplicative of the benefits otherwise provided to Executive hereunder. Executive's participation shall be subject to the terms of the applicable plan documents and generally applicable Cue policies. Notwithstanding the foregoing, Cue may modify or terminate any employee benefit plan at any time.

(b) **VACATIONS.** During the Term, Executive shall be entitled to paid vacation time in accordance with Cue's policy applicable to senior management employees as in effect from time to time (the "**Vacation Policy**").

(c) **BUSINESS EXPENSES.** Upon presentation of reasonable substantiation and documentation as Cue may require from time to time, Executive shall be reimbursed in accordance with Cue's expense reimbursement policy, for all reasonable out-of-pocket business expenses incurred and paid by Executive during the Term and in connection with the performance of Executive's duties hereunder.

(d) **SIGN ON BONUS.** Executive shall receive a (1) one-time cash sign on bonus of $75,000 (minus appropriate withholding and payroll deductions) in a lump sum on Cue's first payroll date following the Effective Date and (2) one-time cash retention bonus of $75,000 (minus appropriate withholding and payroll deductions) in a lump sum on Cue's first payroll date following January 1, 2019. If Executive's employment is terminated by Cue for Cause or by Executive without Good Reason within the first 12 months after the Effective Date, Executive shall repay Cue the net, after-tax amount of the sign on bonus and retention bonus paid under this **Section 6(d)** within 30 days after the effective date of such termination.

(e) **ATTORNEY'S FEES.** The Company shall reimburse Executive for up to $7,500 of legal fees incurred by Executive in connection with the negotiation of this Agreement.

(f) **RELOCATION.** In the event the Company requests Executive to relocate Executive's residence and Executive agrees to do so, the Company shall reimburse Executive for reasonable out-of-pocket expenses incurred by Executive in connection with such relocation.

(g) **HEALTH INSURANCE.** Executive will become eligible to participate in the Cue Health Insurance Plan (the "**Cue Plan**") at the time set forth therein. If there is any lapse in Executive's health insurance coverage between Executive's termination date at her current employer and her eligibility date under the Cue Plan, Cue shall reimburse Executive for the premium costs paid by Executive associated with any COBRA continuation coverage via a lump sum payment on Cue's first payroll date following the Effective Date.

7. TERMINATION. Executive's employment under this Agreement shall terminate on the first to occur of the following:

(a) **DISABILITY.** Upon 30 days' prior written notice by Cue to Executive of termination due to Disability. "**Disability**" shall mean Executive is unable to perform each of the essential duties of Executive's position by reason of a medically determinable physical or mental impairment that is potentially permanent in character or that can be expected to last for a continuous period of not less than 12 months.

(b) **DEATH.** Automatically upon the death of Executive.

(c) **CAUSE.** Immediately upon written notice by Cue to Executive of a termination for Cause. "**Cause**" shall mean:

(i) the commission of any act by Executive constituting financial dishonesty against Cue or its Affiliates (which act would be chargeable as a crime under applicable law);

(ii) Executive's engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment that would (a) materially adversely affect the business or the reputation of Cue or any of its Affiliates with their respective current or prospective customers, suppliers, lenders or other third parties with whom such entity does or might do business or (b) expose Cue or any of its Affiliates to a risk of civil or criminal legal damages, liabilities or penalties;

(iii) the repeated and willful failure by Executive to follow the directives of the Board or the CEO;

(iv) any material and willful misconduct, willful violation of Cue's or its Affiliates' policies, or willful and deliberate non-performance of duty by Executive in connection with the business affairs of Cue or its Affiliates; or

(v) Executive's material and willful breach of this Agreement.

No act or failure to act will be deemed "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that her action or omission was in the best interests of the Company. Executive shall be given written notice detailing the specific Cause event and a period of 30 days following Executive's receipt of such notice to cure such event (if susceptible to cure) to the reasonable satisfaction of the Board. Notwithstanding anything to the contrary contained herein, Executive's right to cure as set forth in the preceding sentence shall not apply if there are habitual or repeated breaches by Executive. A termination for Cause shall be deemed to include a determination by the Board or its designee following Executive's termination of service that circumstances existing prior to such termination would have entitled Cue to have terminated Executive for Cause.

(d) **GOOD REASON.** Upon written notice by Executive to Cue of a termination for Good Reason. "**Good Reason**" shall mean the occurrence of any of the following events, without the consent of Executive, unless such events are fully corrected in all material respects by Cue within 30 days following written notification by Executive to Cue of the occurrence of one of the events:

(i) a material diminution in Executive's Base Salary or Annual Bonus opportunity;

(ii) a material diminution in Executive's authority or duties set forth in **Section 1** above (for sake of clarity, a change in title shall not constitute Good Reason), other than temporarily while physically or mentally incapacitated, as required by applicable law;

(iii) a relocation of Executive's primary work location by more than 25 miles from its then current location; or

(iv) a material breach by Cue of a material term of this Agreement.

Executive shall provide Cue with a written notice detailing the specific circumstances alleged to constitute Good Reason within 30 days after the first occurrence of such circumstances, and actually terminate employment within 30 days following the expiration of Cue's 30-day cure period described above. Otherwise, any claim of such circumstances as Good Reason shall be deemed irrevocably waived by Executive.

(e) **WITHOUT CAUSE.** Upon 30 days' written notice by Cue to Executive of an involuntary termination without Cause (other than for death or Disability).

(f) **VOLUNTARY TERMINATION.** Upon 30 days' prior written notice by Executive to Cue of Executive's voluntary termination of employment without Good Reason (which Cue may make effective earlier than any notice date).

8. CONSEQUENCES OF TERMINATION.

(a) **DEATH/DISABILITY.** In the event that Executive's employment ends on account of Executive's death or Disability, Executive or Executive's estate, as the case may be, shall be entitled to the following (with the amounts due under **Sections 8(a)(i)** through **8(a)(iv)** below to be paid within 60 days following termination of employment, or such earlier date as may be required by applicable law):

(i) any unpaid Base Salary through the date of termination;

(ii) any Annual Bonus for the year prior to the year in which such termination occurs that is earned but unpaid prior to the date of termination;

(iii) reimbursement for any unreimbursed business expenses incurred through the date of termination;

(iv) all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant (collectively, **Sections 8(a)(i)** through **8(a)(v)** hereof shall be hereafter referred to as the "**Accrued Benefits**"); and

(v) an Annual Bonus for the year in which such termination occurs, determined and payable pursuant to the terms and conditions of **Section 4** above as though no such termination had occurred.

(b) **TERMINATION FOR CAUSE OR WITHOUT GOOD REASON.** If Executive's employment is terminated (i) by Cue for Cause or (ii) by Executive without Good Reason, Cue shall pay to Executive the Accrued Benefits (other than the Annual Bonus described in **Section 8(a)(ii)** above).

(c) **TERMINATION WITHOUT CAUSE OR FOR GOOD REASON.** If Executive's employment by Cue is terminated by Cue other than for Cause or Executive's death or Disability (including a notice of non-renewal as set forth in Section 2) or by Executive for Good Reason, Cue shall pay or provide Executive the following:

(i) the Accrued Benefits (including the Annual Bonus described in **Section (a)(ii)** above); and

(ii) subject to Executive's compliance with **Section 9** below and Executive's continued compliance with **Section 10** below, a lump sum cash severance payment in an amount equal to (A) the target Annual Bonus for the year of termination, prorated based on the number of days that Executive is employed in such year through the date of termination plus (B) nine months of Base Salary, with such lump sum payable on the first payroll date of Cue that occurs more than 60 days after Executive's termination (collectively, the "**Severance Amount**").

Payments and benefits provided under this **Section 8(c)** shall be in lieu of any termination or severance payments or benefits to which Executive may be eligible under any of the plans, policies or programs of Cue or under the Worker Adjustment Retraining Notification Act of 1988, as amended, or any similar state statute or regulation. Should Executive die prior to the payment of the Severance Amount, the Severance Amount shall be paid to the heirs or estate of Executive in accordance with the schedule set forth herein.

(d) **OTHER OBLIGATIONS.** Upon any termination of Executive's employment with Cue, Executive shall automatically be deemed to have resigned from any and all other positions she then holds as an officer, director or fiduciary of Cue and any other entity that is part of the same consolidated group as Cue or in which capacity Executive serves at the direction of or as a result of Executive's position with Cue; and Executive shall, within 10 days of such termination, take all actions as may be necessary under applicable law or requested by Cue to effect any such resignations.

(e) **EXCLUSIVE REMEDY.** The amounts payable to Executive following termination of employment hereunder pursuant to **Sections 8(a)**, **(b)** and **(c)** above shall be in full and complete satisfaction of Executive's rights under this Agreement and any other claims that Executive may have in respect of Executive's employment with Cue or any of its Affiliates, and Executive acknowledges that such amounts are fair and reasonable, and are Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, with respect to the termination of Executive's employment hereunder or any breach of this Agreement.

(f) **NO MITIGATION OR OFFSET.** Executive shall not be required to seek or accept other employment or otherwise to mitigate damages as a condition to the receipt of benefits pursuant to this **Section 8**, and amounts payable pursuant to this **Section 8** shall not be offset or reduced by any amounts received by Executive from other sources.

(g) **NO WAIVER OF ERISA-RELATED RIGHTS.** Nothing in this Agreement shall be construed to be a waiver by Executive of any benefits accrued for or due to Executive under any employee benefit plan (as such term is defined in the Employee Retirement Income Security Act of 1974, as amended) maintained by Cue, if any, except that Executive shall not be entitled to any severance benefits pursuant to any severance plan or program of Cue other than as provided herein.

(h) **CLAWBACK.** All awards, amounts or benefits received or outstanding under this Agreement shall be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any applicable law related to such actions, as may be in effect from time to time. Cue may take such actions as may be necessary to effectuate any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, whether adopted before or after the Effective Date, without further consideration or action.

9. RELEASE. Any and all amounts payable and benefits or additional rights provided pursuant to this Agreement upon termination beyond the Accrued Benefits shall only be payable if Executive delivers to Cue and does not revoke a general release of claims in favor of Cue in a form satisfactory to Cue. Such release shall be furnished to Executive within two business days after Executive's date of termination, and must be executed and delivered (and no longer subject to revocation, if applicable) within 30 days following termination (or such longer period to the extent required by law).

10. RESTRICTIVE COVENANTS.

(a) **CONFIDENTIALITY.**

(i) **COMPANY INFORMATION.** At all times during the Term and thereafter, Executive shall hold in strictest confidence, and shall not use, except in connection with the performance of Executive's duties, and shall not disclose to any person or entity, any Confidential Information of Cue. "**Confidential Information**" means any Cue proprietary or confidential information, technical data, trade secrets or know-how, including research, product plans, products, services, customer lists and customers, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, marketing, distribution and sales methods and systems, sales and profit figures, finances and other business information disclosed to Executive by Cue, either directly or indirectly in writing, orally or by drawings or inspection of documents or other tangible property. However, Confidential Information does not include any of the foregoing items which has become publicly known and made generally available through no wrongful act of Executive.

(ii) **EXECUTIVE-RESTRICTED INFORMATION.** During the Term, Executive shall not improperly use or disclose any proprietary or confidential information or trade secrets of any person or entity with whom Executive has an agreement or duty to keep such information or secrets confidential.

(iii) **THIRD PARTY INFORMATION.** Executive recognizes that Cue has received and in the future shall receive from third parties their confidential or proprietary information subject to a duty on Cue's part to maintain the confidentiality of such information and to use it only for certain limited purposes. At all times during the Term and thereafter, Executive shall hold in strictest confidence, and shall not use, except in connection with the performance of Executive's duties, and shall not disclose to any person or entity, such third party confidential or proprietary information, and shall not use it except as necessary in performing Executive's duties, consistent with Cue's agreement with such third party.

(b) **NONSOLICITATION; NONINTERFERENCE.**

(i) During Executive's employment with Cue and for a period of 24 months thereafter, Executive shall not, except in the furtherance of Executive's duties with Cue, directly or indirectly, individually or on behalf of any other person or entity, (i) solicit, aid or induce any customer of Cue or its Affiliates with whom Executive had meaningful business contact to purchase goods or services then sold by Cue or its Affiliates from another person or entity or assist or aid any other person or entity with whom Executive had meaningful business contact in identifying or soliciting any such customer, or (ii) interfere, or aid or induce any other person or entity with whom Executive had meaningful business contact in interfering, with the relationship between Cue or its Affiliates and any of their respective vendors, customers, joint venturers, licensees or licensors.

(ii) During Executive's employment with Cue and for a period of 24 months thereafter, Executive shall not, except in the furtherance of Executive's duties with Cue, directly or indirectly, individually or on behalf of any other person or entity, solicit, aid or induce any employee, consultant, representative or agent of Cue or its Affiliates (or any employee, consultant, representative or agent who has left the employment or retention of Cue or its Affiliates less than one year prior to the date that Executive solicits, aids or induces such person or entity (a "**Covered Person**")) to any other person or entity unaffiliated with Cue or hire or retain any such employee, consultant, representative or agent or any Covered Person, or take any action to materially assist or aid any other person or entity in identifying, hiring or soliciting any such employee, consultant, representative or agent or any Covered Person.

(d) **NONDISPARAGEMENT.** Executive shall not make negative comments or otherwise disparage Cue or any company or other trade or business that "controls," is "controlled by" or is "under common control with," Cue within the meaning of Rule 405 of Regulation C under the Securities Act, including any "subsidiary corporation" of Cue within the meaning of Section 424(f) of the Internal Revenue Code of 1986 ("**Affiliates**") or any of their officers, directors, managers, employees, consultants, equityholders, agents or products. The foregoing shall not be violated by truthful statements (i) in response to legal process, required governmental testimony or filings or administrative or arbitral proceedings (including depositions in connection with such proceedings) or (ii) made in the course of Executive discharging Executive's duties for Cue.

(e) **COOPERATION.** Upon the receipt of reasonable notice from Cue, while employed by Cue and thereafter, Executive shall respond and provide information with regard to matters in which Executive has knowledge as a result of Executive's employment with Cue, and shall provide reasonable assistance to Cue, its Affiliates and their respective representatives in defense of any claims that may be made against Cue or its Affiliates, and shall assist Cue and its Affiliates in the prosecution of any claims that may be made by Cue or its Affiliates, to the extent that such claims may relate to the period of Executive's employment with Cue (collectively, the "**Claims**"). Executive shall promptly inform Cue if Executive becomes aware of any lawsuits involving Claims that may be filed or threatened against Cue or its Affiliates. Executive also shall promptly inform Cue (to the extent that Executive is legally permitted to do so) if Executive is asked to assist in any investigation of Cue or its Affiliates (or their actions) or another party attempts to obtain information or documents from Executive (other than in connection with any litigation or other proceeding in which Executive is a party-in-opposition) with respect to matters Executive believes in good faith to relate to any investigation of Cue or its Affiliates, in each case, regardless of whether a lawsuit or other proceeding has then been filed against Cue or its Affiliates with respect to such investigation, and shall not do so unless legally required. During the pendency of any litigation or other proceeding involving Claims, Executive shall not communicate with anyone (other than Executive's attorneys and tax and/or financial advisors and except to the extent that Executive determines in good faith is necessary in connection with the performance of Executive's duties hereunder) with respect to the facts or subject matter of any pending or potential litigation or regulatory or administrative proceeding involving Cue or any of its Affiliates without getting the prior written consent of Cue. Upon presentation of appropriate documentation, Cue shall pay or reimburse Executive for all reasonable out-of-pocket travel, duplicating or telephonic expenses incurred by Executive in accordance with Cue's applicable policies in complying with this **Section 10(e)**, and Executive shall be compensated by Cue at a reasonable hourly rate for assistance given after the end of the Term.

(f) **OWNERSHIP OF INFORMATION, IDEAS, CONCEPTS, IMPROVEMENTS, DISCOVERIES AND INVENTIONS, AND ALL ORIGINAL WORKS OF AUTHORSHIP.**

(i) As between the Parties, all information, ideas, concepts, improvements, discoveries and inventions, whether patentable or not, which are conceived, made, developed or acquired by Executive or which are disclosed or made known to Executive, individually or in conjunction with others, during the Term and which relate to Cue's business, products or services (including all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of clients or customers or their requirements, the identity of key contacts within the client or customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) are and shall be the sole and exclusive property of Cue. Moreover, all drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, maps and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries and inventions are and shall be the sole and exclusive property of Cue.

(ii) In particular, Executive hereby specifically assigns and transfers to Cue all of Executive's worldwide right, title and interest in and to all such information, ideas, concepts, improvements, discoveries or inventions, and any United States or foreign applications for patents, inventor's certificates or other industrial rights that may be filed thereon, and applications for registration of such names and marks. During the Term and thereafter, Executive shall assist Cue and its nominee at all times in the protection of such information, ideas, concepts, improvements, discoveries or inventions, both in the United States and all foreign countries, including the execution of all lawful oaths and all assignment documents requested by Cue or its nominee in connection with the preparation, prosecution, issuance or enforcement of any applications for United States or foreign letters patent, and any application for the registration of such names and marks.

(iii) Moreover, if during the Term, Executive creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as reports, videotapes, written presentations, computer programs, drawings, maps, architectural renditions, models, manuals, brochures or the like) relating to Cue's business, products or services, whether such work is created solely by Executive or jointly with others, Cue shall be deemed the author of such work if the work is prepared by Executive in the scope of Executive's employment; or, if the work is not prepared by Executive within the scope of Executive's employment but is specially ordered by Cue as a contribution to a collective work, as a part of any written or audiovisual work, as a translation, as a supplementary work, as a compilation or as an instructional text, then the work shall be considered to be work made for hire and Cue shall be the author of the work. In the event such work is neither prepared by Executive within the scope of Executive's employment or is not a work specially ordered and deemed to be a work made for hire, then Executive shall assign, and by these presents, does assign, to Cue all of Executive's worldwide right, title and interest in and to such work and all rights of copyright therein. Both during the Term and thereafter, Executive shall assist Cue and its nominee, at any time, in the protection of Cue's worldwide right, title and interest in and to the work and all rights of copyright therein, including the execution of all formal assignment documents requested by Cue or its nominee and the execution of all lawful oaths and applications for registration of copyright in the United States and foreign countries; *provided*, *however*, that Executive shall be compensated by Cue at a reasonable hourly rate for assistance given after the end of the Term.

(iv) Notwithstanding the foregoing provisions of this **Section 10(f)**, Cue hereby notifies Executive that the provisions of this **Section 10(f)** shall not apply to any inventions for which no equipment, supplies, facility or trade secret information of Cue was used and which were developed entirely on Executive's own time, unless (A) the invention relates (1) to the business of Cue, or (2) to actual or demonstrably anticipated research or development of Cue, or (B) the invention results from any work performed by Executive for Cue.

(g) **RETURN OF COMPANY PROPERTY.** On the date of Executive's termination of employment with Cue for any reason (or at any time prior thereto at Cue's request), Executive shall return all property belonging to Cue or its Affiliates (including any Cue or Affiliate-provided laptops, computers, cell phones, wireless electronic mail devices or other equipment, or documents or property belonging to Cue or an Affiliate).

(h) **EFFECT OF EXECUTIVE BECOMING A BAD LEAVER.** Notwithstanding any provision of this Agreement to the contrary, if (i) Executive breaches any of the covenants set forth in this Agreement at any time during the period commencing on the Effective Date and ending 24 months after Executive's termination of employment with Cue for any reason and (ii) Executive fails to cure such breach within 30 days of the effective date of written notice of such breach given by Cue, then Executive shall be deemed a "**Bad Leaver**." If Executive is or becomes a Bad Leaver, then (i) any severance being paid to Executive pursuant to this Agreement or otherwise shall immediately cease upon commencement of such action and (ii) Executive shall be liable to repay to Cue any severance previously paid to Executive by Cue, less $100 to serve as consideration for the release described in **Section 9** above.

(i) **TOLLING.** If Executive violates any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue shall run from the first date on which Executive ceases to be in violation of such obligation.

11. EQUITABLE RELIEF AND OTHER REMEDIES. Executive acknowledges that Cue's remedies at law for a breach or threatened breach of any of the provisions of **Section 10** above would be inadequate and in the event of such a breach or threatened breach, in addition to any remedies at law, Cue, without posting any bond, shall be entitled to seek to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy that may then be available, without the necessity of showing actual monetary damages or the posting of a bond or other security.

12. NO ASSIGNMENTS. This Agreement is personal to each of the Parties. Except as provided in this **Section 12**, neither Party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other Party. Cue may assign this Agreement to any of its Affiliates or to any successor to all or substantially all of the business and/or assets of Cue, *provided* that Cue shall require such Affiliate or successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Cue would be required to perform it if no such succession had taken place. As used in this Agreement, "Cue" shall mean Cue and any Affiliate or successor to its business and/or assets that assumes and agrees to perform the duties and obligations of Cue under this Agreement by operation of law or otherwise.

13. NOTICE. Any notice that either Party may be required or permitted to give to the other shall be in writing and may be delivered personally, by electronic mail or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as Cue may notify Executive from time to time; and to Executive at Executive's electronic mail or postal address as shown on the records of Cue from time to time, or at such other electronic mail or postal address as Executive, by notice to Cue, may designate in writing from time to time.

14. SECTION HEADINGS; INCONSISTENCY. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between the terms of this Agreement and any form, award, plan or policy of Cue, the terms of this Agreement shall govern and control.

15. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction.

16. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

17. APPLICABLE LAW; CHOICE OF VENUE AND CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) All questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal laws of the State of California applicable to agreements made and wholly to be performed in such state without regard to conflicts of law provisions of any jurisdiction.

(b) For purposes of resolving any dispute that arises directly or indirectly from the relationship of the Parties evidenced by this Agreement, the Parties hereby submit to and consent to the exclusive jurisdiction of the Commonwealth of Massachusetts and further agree that any related litigation shall be conducted solely in the courts of Middlesex County, Massachusetts or the federal courts for the United States for the District of Massachusetts, where this Agreement is made and/or to be performed, and no other courts.

(c) Each Party may be served with process in any manner permitted under State of Delaware law, or by United States registered or certified mail, return receipt requested.

(d) BY EXECUTION OF THIS AGREEMENT, THE PARTIES ARE WAIVING ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED ON THIS AGREEMENT.

18. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer or director as may be designated by Cue. No waiver by either Party at any time of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement together with all exhibits hereto sets forth the entire agreement of the Parties in respect of the subject matter contained herein and supersedes any and all prior agreements or understandings between Executive and Cue or its Affiliates with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof, have been made by either Party that are not expressly set forth in this Agreement.

19. REPRESENTATIONS. Executive represents and warrants to Cue that (a) Executive has the legal right to enter into this Agreement and to perform all of the obligations on Executive's part to be performed hereunder in accordance with its terms, and (b) Executive is not a party to any agreement or understanding, written or oral, and is not subject to any restriction, which, in either case, could prevent Executive from entering into this Agreement or performing all of Executive's duties and obligations hereunder.

20. TAX MATTERS.

(a) **WITHHOLDING.** Any and all amounts payable under this Agreement or otherwise shall be subject to, and Cue may withhold from such amounts, any federal, state, local or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

(b) **SECTION 409A COMPLIANCE.**

(i) The intent of the Parties is that payments and benefits under this Agreement be exempt from (to the extent possible) Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986 and the regulations and guidance promulgated thereunder, as amended (collectively, the "**Code**") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. To the extent that any provision hereof is modified in order to comply with Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Parties of the applicable provision without violating the provisions of Section 409A. In no event shall Cue be liable for any additional tax, interest or penalty that may be imposed on Executive by Section 409A or damages for failing to comply with Section 409A.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" under Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding anything to the contrary in this Agreement, if Executive is deemed on the date of termination to be a "specified employee" under Section 409A, then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the earlier of (A) the expiration of the six-month period measured from the date of such "separation from service" of Executive, and (B) the date of Executive's death, to the extent required under Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this **Section 20(b)(ii)** (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum on the first business day following the six-month period, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(iii) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit and (C) no such reimbursement, expenses eligible for reimbursement or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(iv) For purposes of Section 409A, Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be at the sole discretion of the Board.

(v) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

(c) **MODIFICATION OF PAYMENTS.** In the event it shall be determined that any payment, right or distribution by Cue or any other person or entity to or for the benefit of Executive pursuant to the terms of this Agreement or otherwise, in connection with, or arising out of, Executive's employment with Cue or a change in ownership or effective control of Cue or a substantial portion of its assets (a "**Payment**") is a "parachute payment" within the meaning of Code Section 280G on account of the aggregate value of the Payments due to Executive being equal to or greater than three times the "base amount," as defined in Code Section 280G (the "**Parachute Threshold**"), so that Executive would be subject to the excise tax imposed by Code Section 4999 (the "**Excise Tax**") and the net after-tax benefit that Executive would receive by reducing the Payments to the Parachute Threshold is greater than the net after-tax benefit Executive would receive if the full amount of the Payments were paid to Executive, then the Payments payable to Executive shall be reduced (but not below zero) so that the Payments due to Executive do not exceed the amount of the Parachute Threshold, reducing first any Payments under **Section 8** above.

BY SIGNING THIS AGREEMENT BELOW, EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE:

(1) HAS READ AND UNDERSTOOD THE ENTIRE AGREEMENT;

(2) HAS HAD THE OPPORTUNITY TO ASK QUESTIONS AND CONSULT COUNSEL OR OTHER ADVISORS ABOUT THE AGREEMENT'S TERMS; AND

(3) AGREES TO BE BOUND BY THE AGREEMENT.

IN WITNESS WHEREOF, Cue has caused this Agreement to be executed in its name and on its behalf, and Executive acknowledges understanding and acceptance of, and agrees to, the terms of this Agreement, all as of the Effective Date.

CUE BIOPHARMA, INC.	**BETHANY MANCILLA**
/s/ Daniel Passeri	s/ Bethany Mancilla
Print Name: Daniel Passeri	
Title: President and CEO	

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel R. Passeri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cue Biopharma, Inc.;

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: August 13, 2018

/s/ Daniel R. Passeri
Name: Daniel R. Passeri
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kerri-Ann Millar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cue Biopharma, Inc.;

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: August 13, 2018

/s/ Kerri-Ann Millar
Name: Kerri-Ann Millar
Title: Vice President of Finance
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-Q of Cue Biopharma, Inc. (the "Company") for the three months ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Daniel R. Passeri, Chief Executive Officer of the Company, and Kerri-Ann Millar, Vice Preseident of Finance of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to our knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

A signed original of this written statement required by Section 906 has been provided to Cue Biopharma, Inc. and will be retained by Cue Biopharma, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Daniel R. Passeri
Name: Daniel R. Passeri
Title: Chief Executive Officer
(Principal Executive Officer)

Date: August 13, 2018

/s/ Kerri-Ann Millar
Name: Kerri-Ann Millar
Title: Vice President of Finance
(Principal Financial Officer and Principal Accounting Officer)

Date: August 13, 2018