

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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 NO. 001-37759

**ONCOBIOLOGICS, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

38-3982704  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

7 CLARKE DRIVE  
CRANBURY, NEW JERSEY  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

08512  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (609) 619-3990

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 the 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

The number of shares of the registrant's common stock, \$0.01 par value, outstanding as of August 10, 2018 was 72,198,468.

**Oncobiologics, Inc.**  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**Oncobiologics, Inc.**  
**Consolidated Balance Sheets**  
(unaudited)

	June 30, 2018	September 30, 2017
<b>Assets</b>		
Current assets:		
Cash	\$ 11,796,668	\$ 3,185,519
Prepaid and other current assets	1,335,654	719,087
Total current assets	<u>13,132,322</u>	<u>3,904,606</u>
Property and equipment, net	20,284,405	16,088,902
Other assets	669,315	740,362
Total assets	<u>\$ 34,086,042</u>	<u>\$ 20,733,870</u>
<b>Liabilities, convertible preferred stock and stockholders' equity (deficit)</b>		
Current liabilities:		
Senior secured notes	\$ 12,839,092	\$ -
Current portion of long-term debt	86,735	52,600
Current portion of capital lease obligations	694,878	341,120
Stockholder notes	4,612,500	4,612,500
Accounts payable	3,351,211	10,954,358
Accrued expenses	6,119,446	7,337,469
Income taxes payable	2,352,129	2,352,129
Deferred revenue	2,207,353	3,087,561
Total current liabilities	<u>32,263,344</u>	<u>28,737,737</u>
Senior secured notes	-	13,231,700
Long-term debt	111,541	151,110
Capital lease obligations	3,507,211	28,067
Warrant liability	2,048,838	2,274,954
Deferred revenue	3,061,402	4,466,865
Other liabilities	2,358,339	2,569,971
Total liabilities	<u>43,350,675</u>	<u>51,460,404</u>
Commitments (Note 8)		
Series A convertible preferred stock, par value \$0.01 per share: 1,000,000 shares authorized, 52,209 and 32,628 shares issued and outstanding at June 30, 2018 and September 30, 2017, respectively	<u>3,934,967</u>	<u>2,924,441</u>
Stockholders' equity (deficit):		
Preferred stock, par value \$0.01 per share: 7,500,000 shares authorized, no shares issued and outstanding at June 30, 2018 and September 30, 2017, respectively	-	-
Series B convertible preferred stock, par value \$0.01 per share: 1,500,000 shares authorized, no shares issued and outstanding at June 30, 2018 and September 30, 2017, respectively	-	-
Common stock, par value \$0.01 per share; 200,000,000 shares authorized; 72,198,468 and 24,933,944 shares issued and outstanding at June 30, 2018 and September 30, 2017, respectively	721,985	249,339
Additional paid-in capital	190,186,119	152,315,088
Accumulated deficit	(204,107,704)	(186,215,402)
Total stockholders' equity (deficit)	<u>(13,199,600)</u>	<u>(33,650,975)</u>
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	<u>\$ 34,086,042</u>	<u>\$ 20,733,870</u>

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

**Oncobiologics, Inc.**  
**Consolidated Statements of Operations**  
**(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Collaboration revenues	\$ 771,890	\$ 303,140	\$ 2,315,670	\$ 909,421
Operating expenses:				
Research and development	5,795,993	4,157,696	11,354,781	21,504,939
General and administrative	2,195,789	3,481,854	8,191,546	12,374,125
	<u>7,991,782</u>	<u>7,639,550</u>	<u>19,546,327</u>	<u>33,879,064</u>
Loss from operations	(7,219,892)	(7,336,410)	(17,230,657)	(32,969,643)
Interest expense, net	1,147,371	1,745,544	2,786,124	3,478,581
Loss on extinguishment of debt	-	-	1,252,353	-
Change in fair value of warrant liability	64,659	(3,750,578)	(226,116)	(3,976,397)
Loss before income taxes	(8,431,922)	(5,331,376)	(21,043,018)	(32,471,827)
Income tax (benefit) expense	-	-	(3,150,716)	4,000
Net loss	(8,431,922)	(5,331,376)	(17,892,302)	(32,475,827)
Recognition of beneficial conversion feature upon issuance of Series A convertible preferred stock	-	-	(15,736,683)	-
Series A convertible preferred stock dividends and related settlement	(652,612)	-	(1,740,108)	-
Net loss attributable to common stockholders	<u>\$ (9,084,534)</u>	<u>\$ (5,331,376)</u>	<u>\$ (35,369,093)</u>	<u>\$ (32,475,827)</u>
<b>Per share information:</b>				
Net loss per share of common stock, basic	\$ (0.26)	\$ (0.22)	\$ (1.24)	\$ (1.37)
Net loss per share of common stock, diluted	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (1.24)</u>	<u>\$ (1.53)</u>
Weighted average shares outstanding, basic	<u>34,540,056</u>	<u>24,442,056</u>	<u>28,422,852</u>	<u>23,788,046</u>
Weighted average shares outstanding, diluted	<u>34,540,056</u>	<u>24,442,056</u>	<u>28,422,852</u>	<u>23,813,910</u>

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

**Oncobiologics, Inc.**  
**Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
**Nine Months Ended June 30, 2018**  
**(unaudited)**

	<u>Convertible Preferred Stock</u>		<u>Stockholders' Equity (Deficit)</u>						
	<u>Series A</u>		<u>Series B Convertible Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance at October 1, 2017	32,628	\$ 2,924,441	-	\$ -	24,933,944	\$ 249,339	\$ 152,315,088	\$ (186,215,402)	\$ (33,650,975)
Proceeds from exercise of common stock warrants	-	-	-	-	3,460	35	(35)	-	-
Issuance of vested restricted stock units	-	-	-	-	821,006	8,210	(8,210)	-	-
Private placement sale of common stock and common stock warrants, net of costs	-	-	-	-	12,754,766	127,548	14,728,540	-	14,856,088
Sale of Series A convertible preferred stock and common stock warrants, net of costs	217,372	14,265,861	-	-	-	-	6,382,181	-	6,382,181
Series A convertible preferred stock dividends and settlement	11,045	1,104,481	-	-	-	-	(1,740,108)	-	(1,740,108)
Conversion of Series A convertible preferred stock into common stock	(208,836)	(14,359,816)	-	-	31,572,617	315,726	14,044,090	-	14,359,816
Conversion of senior secured notes into Series B convertible preferred stock	-	-	1,500,000	2,661,972	-	-	-	-	2,661,972
Conversion of Series B convertible preferred stock into common stock	-	-	(1,500,000)	(2,661,972)	2,112,675	21,127	2,640,845	-	-
Stock-based compensation expense	-	-	-	-	-	-	1,823,728	-	1,823,728
Net loss	-	-	-	-	-	-	-	(17,892,302)	(17,892,302)
Balance at June 30, 2018	<u>52,209</u>	<u>\$ 3,934,967</u>	<u>-</u>	<u>\$ -</u>	<u>72,198,468</u>	<u>\$ 721,985</u>	<u>\$ 190,186,119</u>	<u>\$ (204,107,704)</u>	<u>\$ (13,199,600)</u>

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

**Oncobiologics, Inc.**  
**Consolidated Statements of Cash Flows**  
**(unaudited)**

	<b>Nine Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (17,892,302)	\$ (32,475,827)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,229,947	2,022,028
Loss on extinguishment of debt	1,252,353	-
Non-cash interest expense	1,200,504	2,310,096
Stock-based compensation	1,823,728	6,912,547
Change in fair value of warrant liability	(226,116)	(3,976,397)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(606,067)	2,278,590
Other assets	(33,612)	51,604
Accounts payable	(8,002,074)	6,661,571
Accrued expenses	(2,101,223)	1,396,417
Deferred revenue	(2,285,671)	(909,421)
Other liabilities	(4,806)	143,884
Net cash used in operating activities	<u>(24,645,339)</u>	<u>(15,584,908)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,518,349)	(268,106)
Net cash used in investing activities	<u>(1,518,349)</u>	<u>(268,106)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the sale of common stock, net of offering costs	14,856,088	1,607,396
Payment of debt issuance costs	-	(40,000)
Proceeds from issuance of Series A convertible preferred stock	21,737,200	-
Proceeds from the sale of senior secured notes and detachable warrants	-	15,000,000
Proceeds from exercise of common stock warrants	-	253,289
Change in restricted cash	-	216,086
Payments of capital leases obligations	(634,866)	(730,024)
Repayment of debt	(94,427)	(2,665,722)
Payment of financing costs	(1,089,158)	-
Net cash provided by financing activities	<u>34,774,837</u>	<u>13,641,025</u>
Net increase (decrease) in cash	8,611,149	(2,211,989)
Cash at beginning of period	3,185,519	2,351,887
Cash at end of period	<u>\$ 11,796,668</u>	<u>\$ 139,898</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 81,005</u>	<u>\$ 556,299</u>
<b>Supplemental schedule of noncash investing activities:</b>		
Purchases of property and equipment in accounts payable and accrued expenses	<u>\$ 463,007</u>	<u>\$ 23,698</u>
<b>Supplemental schedule of noncash financing activities:</b>		
Issuance of Series B convertible preferred stock upon conversion of senior secured notes, net of unamortized debt discount	<u>\$ 1,409,619</u>	<u>\$ -</u>
Issuance of capital lease obligations in connection with purchase of property and equipment	<u>\$ 4,260,942</u>	<u>\$ 62,230</u>
Series A convertible preferred stock dividends	<u>\$ 652,612</u>	<u>\$ -</u>
Settlement of Series A convertible preferred stock dividends upon issuance of Series A convertible preferred stock	<u>\$ 1,104,481</u>	<u>\$ -</u>
Deferred offering costs and common stock issuance costs in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 292,367</u>

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

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

**1. Organization and Description of Business**

Oncobiologics, Inc. (“Oncobiologics” or the “Company”) was incorporated in New Jersey on January 5, 2010 and started operations in July 2011. Oncobiologics is a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex monoclonal antibody (“mAb”) therapeutics. The Company has established fully integrated in-house development and manufacturing capabilities that addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb therapeutics. The Company is based in Cranbury, New Jersey.

**2. Liquidity**

The Company has incurred substantial losses and negative cash flows from operations since its inception and has an accumulated deficit of \$204.1 million as of June 30, 2018. The Company has substantial indebtedness that includes \$13.5 million of senior secured notes due in December 2018 and \$4.6 million in notes payable to stockholders that are payable on demand. There can be no assurance that the holders of the stockholder notes will not exercise their right to demand repayment. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying unaudited interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The unaudited interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Management believes that the Company’s existing cash as of June 30, 2018 will be sufficient to fund its operations into November 2018, excluding repayment of debt. Substantial additional financing will be needed by the Company to fund its operations in the future and to commercially develop its product candidates. Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include, but are not limited to: private placements of equity and/or debt, payments from potential strategic research and development partners, licensing and/or marketing arrangements with pharmaceutical companies, providing manufacturing services on a contract basis to other biopharmaceutical companies and public or private offerings of equity and/or debt securities. There can be no assurance that these future funding efforts will be successful.

The Company’s future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above; (ii) the Company’s ability to complete revenue-generating partnerships with pharmaceutical companies; (iii) the success of its research and development; (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately, (v) regulatory approval and market acceptance of the Company’s proposed future products.

**3. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of presentation**

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the Financial Accounting Standards Board (“FASB”).

In the opinion of management, the accompanying unaudited interim consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company’s financial position as of June 30, 2018 and its results of operations for the three and nine months ended June 30, 2018 and 2017 and cash flows for the nine months ended June 30, 2018 and 2017. Operating results for the three and nine months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2018. The unaudited interim consolidated financial statements, presented herein, do not contain the required disclosures under GAAP for annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and related notes as of and for the year ended September 30, 2017 included in the Company’s Annual Report on Form 10-K, as amended to date, filed with the Securities and Exchange Commission (“SEC”), on December 29, 2017.

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

**Use of estimates**

The preparation of the unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the uncertainty of factors surrounding the estimates or judgments used in the preparation of the unaudited interim consolidated financial statements, actual results may materially vary from these estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the unaudited interim consolidated financial statements in the period they are determined to be necessary.

**Income taxes**

In November 2017, the Company received approval from the New Jersey Economic Development Authority's Technology Business Tax Certificate Transfer Program to sell a portion of its unused New Jersey net operating losses ("NOLs"), and research and development ("R&D") tax credits. As a result, the Company received \$3.15 million of cash from the sale of these NOLs and credits in December 2017, which it recognized as an income tax benefit for the nine months ended June 30, 2018. The Company recorded income tax expense of \$4,000 for the nine months ended June 30, 2017, which is primarily attributable to state and foreign withholding taxes in connection with the Company's collaboration and licensing agreements.

**Net loss per share**

Basic and diluted net loss per common share is determined by dividing net loss applicable to common stockholders by the weighted-average common shares outstanding during the period.

For purposes of calculating diluted loss per common share, the denominator includes both the weighted average common shares outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options and non-vested restricted stock unit ("RSU") awards using the treasury stock method. The diluted loss per common share calculation is further affected by an add-back of change in fair value of warrant liability to the numerator under the assumption that the change in fair value of warrant liability would not have been incurred if the warrants had been converted into common stock.

The following table sets forth the computation of basic earnings per share and diluted earnings per share:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Basic Earnings Per Share</b>				
Net loss	\$ (9,084,534)	\$ (5,331,376)	\$ (35,369,093)	\$ (32,475,827)
Common stock outstanding (weighted average)	34,540,056	24,442,056	28,422,852	23,788,046
Basic net loss per share	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (1.24)</u>	<u>\$ (1.37)</u>
<b>Diluted Earnings Per Share</b>				
Net loss	(9,084,534)	(5,331,376)	(35,369,093)	(32,475,827)
Add change in fair value of warrant liability	-	-	-	(3,976,397)
Diluted net loss	<u>(9,084,534)</u>	<u>(5,331,376)</u>	<u>(35,369,093)</u>	<u>(36,452,224)</u>
Common stock outstanding (weighted average)	34,540,056	24,442,056	28,422,852	23,788,046
Add shares from dilutive warrants	-	-	-	25,864
Common stock equivalents	34,540,056	24,442,056	28,422,852	23,813,910
Diluted net loss per share	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (1.24)</u>	<u>\$ (1.53)</u>

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares outstanding as of June 30, 2018 and 2017, as they would be antidilutive:

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Series A convertible preferred stock	7,893,155	-
Performance-based stock units	150,951	214,413
Restricted stock units	83,281	1,068,260
Common stock warrants	45,292,494	7,760,988
Stock options	1,062,075	-

**Correction of immaterial error related to prior periods**

During fiscal 2017, the Company identified an error related to its accounting and classification for the 82,000 square feet of office and laboratory space in Cranbury, New Jersey that was entered into during August 2015. Due to the Company's involvement in the construction required to complete the leased facility, the Company concluded that the lease should have been accounted for as a direct financing arrangement, whereby the Company records, the fair value of the asset in property and equipment, net on the consolidated balance sheets. A corresponding liability is also recorded and amortized over the lease term through monthly rental payments using the effective interest method.

For the three and nine months ended June 30, 2017, rent expense was overstated by \$0.1 million and \$0.3 million, respectively, and interest expense was understated by \$0.1 million and \$0.3 million, respectively. This was primarily attributable to the reclassification of rental payments into interest expense payments in connection with a financing arrangement rather than an operating lease arrangement, as previously presented.

The Company reviewed the impact of this error on the prior periods in accordance with SEC *Staff Accounting Bulletin No. 99, "Materiality,"* and determined that the error was not material to the prior periods. However, the Company has corrected the unaudited interim consolidated statement of operations for the three months ended June 30, 2017 by decreasing research and development expenses and general and administrative expenses by \$82,000 and \$21,000, respectively, and by increasing interest expense by \$0.1 million. The Company corrected the unaudited interim consolidated statement of operations for the nine months ended June 30, 2017 by decreasing research and development expenses and general and administrative expenses by \$0.2 million and \$63,000, respectively, and by increasing interest expense by \$0.3 million.

**Recently issued and adopted accounting pronouncements**

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("Topic 718"), which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The standard will be effective for fiscal years beginning after December 15, 2018, although early adoption is permitted (but no sooner than the adoption of Topic 606). The Company does not expect that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. This new ASU is intended to provide clarity and reduce both the diversity in practice of and cost and complexity of applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This ASU is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. This ASU is not expected to have a material impact on the Company's consolidated financial statements.

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases, (Topic 842)*. This new ASU represents a wholesale change to lease accounting and introduces a lease model that brings most leases on the balance sheet. It also eliminates the required use of bright-line tests in current U.S. GAAP for determining lease classification. This ASU is effective for annual periods beginning after December 15, 2018 (*i.e.*, calendar periods beginning on January 1, 2019), and interim periods thereafter. Earlier application is permitted for all entities. The Company is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

- *Contracts with customers* — including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations).
- *Significant judgments and changes in judgments* — determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations.
- *Certain assets* — assets recognized from the costs to obtain or fulfill a contract.

In July 2015, the FASB delayed the effective date of this guidance. As a result, this guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. This ASU is not expected to have a material impact on the Company's consolidated financial statements.

#### **4. Fair Value Measurements**

Certain assets and liabilities are carried at fair value under GAAP. 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. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

	June 30, 2018		
	(Level 1)	(Level 2)	(Level 3)
<b>Liabilities</b>			
Warrant liability	\$ -	\$ -	\$ 2,048,838

  

	September 30, 2017		
	(Level 1)	(Level 2)	(Level 3)
<b>Liabilities</b>			
Warrant liability	\$ -	\$ -	\$ 2,274,954

The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the warrant liability for the nine months ended June 30, 2018:

Balance at October 1, 2017	\$ 2,274,954
Change in fair value	(226,116)
Balance at June 30, 2018	<u>\$ 2,048,838</u>

The warrants issued in connection with the senior secured notes are classified as liabilities on the accompanying consolidated balance sheet as such warrants include cash settlement features at the option of the holders under certain circumstances. The warrant liability is revalued each reporting period with the change in fair value recorded in the accompanying consolidated statements of operations until the warrants are exercised or expire. The fair value of the warrant liability is estimated using the Black- Scholes option pricing model using the following assumptions:

	June 30, 2018
Risk-free interest rate	2.68%
Remaining contractual life of warrant	3.64 years
Expected volatility	128%
Annual dividend yield	0%
Fair value of common stock	\$0.85 per share

**5. Property and Equipment, Net**

Property and equipment, net, consists of:

	June 30, 2018	September 30, 2017
Laboratory equipment	\$ 14,172,847	\$ 11,574,474
Leasehold improvements	10,071,574	10,032,640
Computer software and hardware	483,807	472,054
Land and building	3,000,000	-
Construction in progress	3,431,065	2,654,675
	<u>31,159,293</u>	<u>24,733,843</u>
Less: accumulated depreciation and amortization	(10,874,888)	(8,644,941)
	<u>\$ 20,284,405</u>	<u>\$ 16,088,902</u>

Depreciation and amortization expense was \$822,059 and \$672,098 for the three months ended June 30, 2018 and 2017 respectively, and \$2,229,947 and \$2,022,028 for the nine months ended June 30, 2018 and 2017, respectively.

At June 30, 2018, \$7,953,856 represents laboratory equipment under capital leases and the Company's corporate office that is classified as a capital lease. At September 30, 2017, \$3,692,913 represents laboratory equipment under capital leases. The term of the equipment leases are between 22 and 36 months and qualify as capital leases. The Company's corporate office lease matures in February 2028. The equipment leases bear interest between 5.0% and 19.4% and the effective interest rate on the corporate office lease is 43.9%. At June 30, 2018 and September 30, 2017, \$1,462,554 and \$1,061,901, respectively, of accumulated amortization related to capital leases.

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

**6. Accrued Expenses**

Accrued expenses consists of:

	<b>June 30, 2018</b>	<b>September 30, 2017</b>
Compensation	\$ 2,367,295	\$ 3,688,592
Severance and related costs	766,046	-
Dividends on Series A Convertible	652,613	-
Research and development	208,130	1,637,657
Interest payable	1,745,907	1,047,122
Professional fees	331,576	521,973
Director fees	45,632	376,695
Other accrued expenses	2,247	65,430
	<u>\$ 6,119,446</u>	<u>\$ 7,337,469</u>

**7. Senior Secured Notes**

	<b>June 30, 2018</b>
Senior secured notes	\$ 13,500,000
Unamortized debt discount	(660,908)
	<u>\$ 12,839,092</u>

In September 2017, the Company entered into a purchase and exchange agreement (the "Exchange Agreement") with two existing investors and holders of its senior secured notes (the "Noteholders"), pursuant to which the Noteholders exchanged \$1.5 million aggregate principal amount of senior secured notes for 1,500,000 shares of Series B convertible preferred stock ("Series B Convertible") and \$41,507 of accrued interest on such exchanged senior secured notes in October 2017. The Company recognized a loss on extinguishment of \$1,252,353 in connection with the exchange and represents the excess fair value of the Series B Convertible issued over the net carrying amount of the debt and accrued interest. The 1,500,000 shares of Series B Convertible were converted into an aggregate of 2,112,675 shares of common stock in the three months ended June 30, 2018 and there are no longer any shares of Series B Convertible issued and outstanding.

Interest expense on the senior secured notes for the three months ended June 30, 2018 and 2017 was \$500,012 and \$1,500,500, respectively, and \$1,486,737 and \$2,548,428 for the nine months ended June 30, 2018 and 2017, respectively.

**8. Commitments**

During the nine months ended June 30, 2018, the Company entered into an amendment to its lease for its corporate offices in Cranbury, New Jersey. Pursuant to the amended terms, the Company is occupying 100% of the corporate facility and has extended the lease term through February 2028 with two five year renewal options. As a result of this amendment, the lease is now classified as a capital lease. The Company initially recorded the lease obligation and corresponding building asset based on its estimated fair value of approximately \$3,000,000. The building is being depreciated over the lease term. Future lease payments will be allocated to interest expense and a pay-down of the lease obligation.

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Future minimum payments under the amended lease at June 30, 2018 are as follows:

	<b>June 30, 2018</b>
Within one year	\$ 1,379,876
Two years	1,397,616
Three years	1,418,820
Four years	1,506,204
Five years	1,531,732
Thereafter	7,676,097
Total rental payments	14,910,345
Less: Amounts representing interest	(11,692,316)
Present value of payments	\$ 3,218,029

**9. Common Stock, Convertible Preferred Stock and Stockholders' Equity (Deficit)**

**Common stock**

In May 2018, the Company entered into a purchase agreement with GMS Tenshi Holdings Pte. Limited, a Singapore private limited company and the Company's controlling stockholder and strategic partner ("GMS Tenshi"), pursuant to which GMS Tenshi purchased, in a private placement, 12,754,766 shares of common stock and common stock warrants to purchase 20,512,820 shares of common stock for cash proceeds of \$15.0 million. The transaction closed in two tranches in May and June 2018. The warrants have an exercise price of \$0.975 per share and a term of eight years from their issuance date.

During the nine months ended June 30, 2018, the Company issued 821,006 shares of common stock upon the vesting of RSUs.

**Convertible preferred stock**

In September 2017, the Company entered into a purchase agreement with GMS Tenshi, pursuant to which GMS Tenshi agreed to purchase, in a private placement (the "Private Placement"), \$25.0 million of the Company's newly-created voting Series A Convertible Preferred Stock (the "Series A Convertible"), and warrants (the "GMS Tenshi Warrants" and together with the Series A Convertible, the "Securities") to acquire 16,750,000 shares of common stock. On September 11, 2017, the Company completed the initial sale of 32,628 shares of Series A Convertible to GMS Tenshi for \$3,262,800 in cash. In October 2017, the Company completed the sale of the remaining 217,372 shares of Series A Convertible and the GMS Tenshi Warrants to GMS Tenshi in the Private Placement, for \$21,737,200 in cash.

The Series A Convertible was initially convertible into 37,795,948 shares of the Company's common stock, representing an effective conversion rate of \$0.66 per share, which represented a discount to the market value of the Company's common stock as of September 7, 2017 and October 31, 2017 (on which dates, the closing price of the Company's common stock was \$0.90 and \$1.26 per share, respectively). In connection with the second closing of the Series A Convertible in October 2017, the Company issued the GMS Tenshi Warrants, which have a term of 8-years and an initial exercise price of \$0.90 per share. The proceeds from the second closing of the Series A Convertible were allocated among the Series A Convertible and the GMS Tenshi Warrants based on their relative fair values. As a result of the discount to the market value and the allocation of a portion of the proceeds to the GMS Tenshi Warrants, the Company recognized a beneficial conversion charge of \$15,355,019, which represents the in-the-money value of the conversion rate as of the date of sale.

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The Series A Convertible accrues dividends at a rate of 10% per annum, compounded quarterly, payable quarterly at the Company's option in cash or in kind in additional shares of Series A Convertible, although the initial dividends payable on the shares of Series A Convertible issued in September 2017, while accruing from issuance, was payable in December 2017. The Series A Convertible was also entitled to dividends on an as-if-converted basis in the same form as any dividends actually paid on shares of common stock or other securities. The initial conversion rate was subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification or other recapitalization affecting the common stock. During the nine months ended June 30, 2018, the Company issued an additional 11,045 shares of Series A Convertible to settle the related dividends that were due on a quarterly basis. The Company recognized a beneficial conversion charge of \$381,664 during the nine months ended June 30, 2018, which represents the in-the-money value of the conversion rate as of the date of issuance.

In June 2018, GMS Tenshi converted 208,836 shares of Series A Convertible into 31,572,617 shares of common stock.

Concurrent with completing the sale of Series A Convertible in October 2017, the Noteholders exchanged \$1,500,000 in aggregate principal borrowings and \$41,507 in accrued interest for 1,500,000 shares of Series B Convertible. The exchange was accounted for as an extinguishment of debt. See Note 7.

The Series B Convertible were non-voting, did not accrue dividends nor did the shares of Series B Convertible have any specific rights or preferences, and had a stated value of \$1.00 per share and were convertible into 2,112,675 shares of common stock. During May and June 2018, the Noteholders converted all 1,500,000 shares of Series B Convertible into 2,112,675 shares of common stock. Accordingly, there are no longer any shares of Series B Convertible issued and outstanding.

**Common stock warrants**

As of June 30, 2018, the Company had the following warrants outstanding to acquire shares of its common stock:

	<u>Outstanding</u>	<u>Exercise Price Per Share</u>	<u>Expiration Date</u>
Series A warrants	3,333,333	\$ 6.60	February 18, 2019
Common stock warrants issued with initial public offering	814,340	\$ 0.01	November 11, 2019
Common stock warrants issued with senior secured notes	3,882,001	\$ 3.00	December 22, 2021
Common stock warrants issued with Series A Convertible	16,750,000	\$ 0.90	October 31, 2025
Common stock warrants issued in May 2018	10,256,410	\$ 0.975	May 10, 2026
Common stock warrants issued in June 2018	10,256,410	\$ 0.975	June 8, 2026
	<u>45,292,494</u>		

**10. Stock-Based Compensation**

**2011 Equity Incentive Plan**

The Company's 2011 Equity Compensation Plan (the "2011 Plan") provided for the Company to sell or issue restricted common stock, RSUs, performance-based awards ("PSUs"), cash-based awards or to grant stock options for the purchase of common stock to officers, employees, consultants and directors of the Company. The 2011 Plan was administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The number of shares of common stock reserved for issuance under the 2011 Plan is 851,926. As of June 30, 2018, PSUs representing 150,951 shares of the Company's common stock were outstanding under the 2011 Plan. In light of the December 2015 adoption of the 2015 Equity Incentive Plan, (the "2015 Plan") no future awards under the 2011 Plan will be granted.

**2015 Equity Incentive Plan**

In December 2015, the Company adopted the 2015 Plan. The 2015 Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, RSU awards, performance stock awards and other forms of equity compensation to Company employees, directors and consultants. The maximum number of shares of common stock that may be issued under the 2015 Plan is 2,638,101 shares. As of June 30, 2018, 839,756 shares remained available for grant under the 2015 Plan.

**Oncobiologics, Inc.**  
**Notes to Unaudited Interim Consolidated Financial Statements**

The Company recorded stock-based compensation expense in the following expense categories of its statements of operations for the three and nine months ended June 30, 2018 and 2017:

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Research and development	\$ 86,872	\$ 205,104	\$ 2,079	\$ 1,022,919
General and administrative	147,247	1,916,000	1,821,649	5,889,628
	<u>\$ 234,119</u>	<u>\$ 2,121,104</u>	<u>\$ 1,823,728</u>	<u>\$ 6,912,547</u>

**Stock options**

During the nine months ended June 30, 2018, the Company granted a total of 1,077,075 stock options to its board of directors and employees of which 20,000 options granted will vest 50% on the third anniversary of the commencement date and the remaining 50% on the fourth anniversary of the commencement date, 60,000 options granted will vest on the first anniversary of the grant date and 997,075 options granted will vest annually over three years.

As of June 30, 2018, options to purchase common stock of the Company outstanding under the 2015 Plan were as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (Years)</b>
Balance at October 1, 2017	-	\$ -	
Granted	1,077,075	0.96	
Expired/forfeited/cancelled	(15,000)	1.32	
Balance at June 30, 2018	<u>1,062,075</u>	0.96	9.9
Vested and exercisable	-		
Vested and expected to vest at June 30, 2018	<u>1,062,075</u>	\$ 0.96	9.9

The weighted average grant date fair value of the options awarded to employees for the nine months ended June 30, 2018 was \$0.52 per share. The aggregate intrinsic value represents the total amount by which the fair value of the common stock subject to options exceeds the exercise price of the related options.

As of June 30, 2018, the aggregate intrinsic value of the unvested options was \$0.

The fair value of the options was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>Nine Months Ended June 30, 2018</b>
Risk-free interest rate	2.72%
Expected life	5.99 years
Expected volatility	61%
Expected dividend yield	-

As of June 30, 2018, there was \$503,538 of unrecognized compensation expense that is expected to be recognized over a weighted-average period of 2.84 years.

**Oncobiologics, Inc.**  
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**Performance-based stock units**

The Company has issued PSUs, which generally have a ten year life from the date of grant and vest 50% after the third anniversary from issuance and the remaining 50% on the fourth anniversary. The PSUs are exercisable upon the earlier of (i) a change in control, (ii) consummation of an initial public offering, or (iii) a corporate valuation in excess of \$400 million. Upon exercise, the PSU holder receives common stock or cash at the Company's discretion.

The following table summarizes the activity related to PSUs during the nine months ended June 30, 2018:

	Number of PSUs	Weighted Average Base Price Per Unit
Balance at October 1, 2017	175,530	\$ 6.27
Forfeitures	(24,579)	6.21
Balance at June 30, 2018	<u>150,951</u>	<u>\$ 6.31</u>

As of June 30, 2018, there was \$26,908 of unamortized expense that will be recognized over a weighted-average period of 0.52 years.

**Restricted stock units**

The RSUs generally vest over a period of two to four years from the date of grant. The following table summarizes the activity related to RSUs during the nine months ended June 30, 2018:

	Number of RSUs	Weighted Average Grant Date Fair Value
Balance at October 1, 2017	939,879	\$ 18.78
Granted	20,000	1.16
Vested and settled	(821,006)	17.95
Forfeitures	(55,592)	16.62
Balance at June 30, 2018	<u>83,281</u>	<u>\$ 21.76</u>

As of June 30, 2018, there was \$714,046 of unamortized expense that will be recognized over a weighted-average period of 1.17 years.

**11. Related-Party Transactions**

During the three months ended June 30, 2018, the Company negotiated a contract with Sonnet Biotherapeutics, Inc. ("Sonnet") to provide contract development and manufacturing ("CDMO") services. The maximum contract value is estimated to be approximately \$5.1 million, if all milestones are met. Additionally, in order to provide services to Sonnet and other potential CDMO customers, in November 2017, the Company acquired laboratory and office equipment from Sonnet with a value of \$115,000 and during the nine months ended June 30, 2018, assumed leases of \$201,000 for equipment necessary for the planned expansion of the Company's development and manufacturing facilities. Such leases were personally guaranteed by Pankaj Mohan, Ph.D., the Company's former Chairman and Chief Executive Officer ("CEO"), and current Class III director.

Dr. Mohan and Mr. Donald Griffith, Class II Director, are members of the board of directors of Sonnet, with Dr. Mohan serving as Executive Chairman of Sonnet. In addition, Dr. Mohan is a significant stockholder of Sonnet and Mr. Griffith is the President, Chief Executive Officer and Chief Financial Officer, of Sonnet.

**Oncobiologics, Inc.**  
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**12. Subsequent Events**

In July 2018, the Company entered into an exchange agreement with GMS Tenshi, pursuant to which the Company exchanged 58,735 shares of Series A Convertible held by GMS Tenshi for 58,735 shares of its newly created series of voting convertible preferred stock, voting Series A-1 Convertible Preferred Stock (the "Series A-1 Preferred"). Accordingly, all of the issued Series A Convertible have been retired and cancelled and may not be reissued as shares of such series in accordance with their terms.

A total of 200,000 shares of Series A-1 Preferred have been authorized for issuance. The shares of Series A-1 Preferred have a stated value of \$100.00 per share, are initially convertible into 8,879,780 shares of common stock and rank senior to all junior securities.

The Series A-1 Preferred has the same conversion and dividend features as the Series A Convertible, but reflect an increased redemption premium and increased liquidation preference that provides GMS Tenshi with similar redemption premium and liquidation preference as before the June 20, 2018 conversion of 208,836 shares of Series A Convertible by GMS Tenshi. The Series A-1 Preferred accrue dividends at a rate of 10% per annum, compounded quarterly, payable quarterly at the Company's option in cash or in kind in additional shares of Series A-1 Preferred.

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

*You should read this section in conjunction with our unaudited interim consolidated financial statements and related notes included in Part I. Item 1 of this report and our audited consolidated financial statements and related notes thereto and management’s discussion and analysis of financial condition and results of operations for the years ended September 30, 2017 and 2016 included in our Annual Report on Form 10-K for the year ended September 30, 2017, filed with the Securities and Exchange Commission, or SEC, on December 29, 2017, as amended to date.*

### Forward-Looking Statements

*This discussion 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. Forward-looking statements are identified by words such as “believe,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would,” “potentially” or the negative of these terms or similar expressions in this report. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other “forward-looking” information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements are subject to certain risks and uncertainties that could cause a difference include, but are not limited to, those discussed under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2017, filed with the SEC on December 29, 2017, as amended to date, and elsewhere in this report. Forward-looking statements are based on our management’s current beliefs and assumptions and based on information currently available to our management. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments.*

### Overview

We are a clinical-stage biopharmaceutical company focused on identifying, developing, manufacturing and commercializing complex, technically challenging and commercially attractive monoclonal antibody, or mAb, therapeutics. A mAb is a type of protein that is produced by a single clone of cells or cell line and made to bind to a specific substance in the body. We have leveraged our team’s biopharmaceutical expertise to establish fully integrated in-house development and manufacturing capabilities, which we refer to as our BioSymphony Platform. We believe this platform addresses the numerous complex technical and regulatory challenges in developing and commercializing mAb therapeutics and was designed to provide significant pricing flexibility. Our strategy is to use the BioSymphony Platform to develop mAb product candidates that expand access to important therapeutic options for patients. Our ability to pursue product candidates using either the innovative or biosimilar product pathway is fundamental to our success and we believe positions us to be a leading biotechnology company.

Our lead product candidate, ONS-5010, is an innovative mAb therapeutic that is expected to enter clinical trials in 2018. Additionally, we have advanced two other product candidates through Phase 1 clinical trials and into preparations for Phase 3 clinical trials: ONS-3010, a biosimilar to adalimumab (Humira®), and ONS-1045, a biosimilar to bevacizumab (Avastin®). We plan to advance ONS-3010 and ONS-1045 into Phase 3 clinical trials upon entering into a license or co-development agreement with a partner. We continue to develop other earlier stage therapeutic candidates that we intend to take through the pre-clinical stage with the goal of entering into clinical trials upon securing a development partner for major markets such as the United States and the European Union, or EU.

We have made a strategic decision to maximize the value of our BioSymphony Platform by beginning to assist development stage biopharmaceutical and biotechnology companies with the development and manufacturing of their product candidates for clinical trials on a contract basis. We believe that this strategy to leverage the BioSymphony Platform and its capabilities will generate funding for our in-house development programs while we continue to develop our pipeline by providing a flexible and cost-effective alternative to the larger contract manufacturing organizations currently serving this market. Planned improvements to our manufacturing and development facilities required to support the ongoing development and commercialization of our ONS-5010 program will provide the necessary foundation to support this new business upon completion in 2019.

Through June 30, 2018, we have funded substantially all of our operations with \$195.3 million in proceeds from the sale and issuance of our equity and debt securities. We have also received \$29.0 million pursuant to our collaboration and licensing agreements. In September 2017, we closed on the initial sale of 32,628 shares of our newly-created Series A Convertible Preferred Stock, or the Series A Convertible, to GMS Tenshi Holdings Pte. Limited, or GMS Tenshi, our controlling stockholder and strategic partner, for \$3.3 million of cash, and entered into an investor rights agreement in connection therewith. In October 2017, following receipt of necessary stockholder approval, we issued an additional 217,372 shares of our Series A Convertible and warrants to acquire 16,750,000 shares of our common stock to GMS Tenshi for \$21.7 million of cash. Concurrent with such second closing, we also exchanged an aggregate \$1.5 million of outstanding senior secured notes into 1,500,000 shares of our newly-created Series B Convertible Preferred Stock, or the Series B Convertible. During May and June 2018, all 1,500,000 shares of Series B Convertible converted into 2,112,675 shares of common stock in accordance with their terms and there are no shares of Series B Convertible outstanding.

Additionally, as part of the GMS Tenshi transaction, in September 2017, we entered into a joint development and licensing agreement for ONS-3010 and ONS-1045 in all emerging market territories not previously licensed to other development partners.

On May 11, 2018, we entered into a purchase agreement with GMS Tenshi pursuant to which we agreed to sell to GMS Tenshi, and GMS Tenshi agreed to purchase, in a private placement, \$15.0 million of our common stock and warrants to acquire that number of shares of common stock having an aggregate exercise price of approximately \$20.0 million, to close in two tranches. On May 14, 2018, we closed the sale of the first tranche of the common stock and warrants for aggregate cash proceeds of \$7.5 million, issuing to GMS Tenshi an aggregate of 6,377,383 shares of our common stock and warrants to acquire up to 10,256,410 additional shares of our common stock at an exercise price of \$0.975 per share, which warrants have a term of eight years from their issuance date. On June 8, 2018, we closed the sale of the second tranche of the common stock and warrants for aggregate cash proceeds of \$7.5 million, issuing to GMS Tenshi an aggregate of 6,377,383 shares of our common stock and warrants to acquire up to 10,256,410 additional shares of our common stock at an exercise price of \$0.975 per share, which warrants have a term of eight years from their issuance date. In connection with the entry into the purchase agreement, we and GMS Tenshi amended the Investor Rights Agreement dated September 11, 2017, in order to provide GMS Tenshi certain registration and other rights with respect to the shares of common stock to be acquired pursuant to the purchase agreement and the shares of common stock that may be issuable upon exercise of the warrants acquired pursuant to the purchase agreement.

On June 20, 2018, GMS Tenshi converted 208,836 shares of Series A Convertible into 31,572,617 shares of common stock. In connection therewith, we agreed in principle to exchange GMS Tenshi's remaining shares of Series A Convertible (along with accrued but unpaid dividends) into a newly created class of preferred stock that was intended to have the same conversion and dividend features as the Series A Convertible, but reflect an increased redemption premium and increased liquidation preference that provides GMS Tenshi with similar redemption premium and liquidation preference as before the June 20, 2018 conversion into common stock. Accordingly, on July 18, 2018, we entered into an exchange agreement with GMS Tenshi pursuant to which we exchanged an aggregate of 58,735 shares of Series A Convertible then held by GMS Tenshi for 58,735 shares of our newly created series of voting convertible preferred stock, voting Series A-1 Convertible Preferred Stock, par value \$0.01 per share, or the Series A-1 Preferred. Accordingly, all of the issued Series A Convertible have been retired and cancelled and may not be reissued as shares of such series in accordance with their terms.

The Series A-1 Preferred has the same conversion and dividend features as the Series A Convertible (10% per annum, compounded quarterly, payable quarterly at our option in cash or in kind in additional shares of Series A-1 Preferred), but reflects an increased redemption premium (110% to 550%) and increased liquidation preference (120% to 600%) that provides GMS Tenshi with similar redemption premium and liquidation preference for its aggregate Series A Convertible holdings before the conversion.

We have incurred recurring losses and negative cash flows from operations since inception and have an accumulated deficit at June 30, 2018 of \$204.1 million, \$13.5 million of senior secured notes due in December 2018 and \$4.6 million of indebtedness that is due on demand. We will need to raise substantial additional capital to fund our planned future operations, commence clinical trials, receive approval for and commercialize ONS-5010, ONS-3010 and ONS-1045 and continue to develop our other pipeline candidates. We plan to finance our future operations with a combination of proceeds from providing contract development and manufacturing services on a fee for service basis, the issuance of equity securities, the issuance of additional debt, potential collaborations and revenues from potential future product sales, if any. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of ONS-5010, ONS-3010, ONS-1045 or any other current or future product candidates. If we are unable to secure adequate additional funding, our business, operating results, financial condition and cash flows may be materially and adversely affected. These matters raise substantial doubt about our ability to continue as a going concern. Our interim unaudited consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Our current cash resources of \$11.8 million as of June 30, 2018 are expected to fund our operations into November 2018, excluding repayment of debt. To provide additional working capital, we continue to engage in active discussions with global and regional pharmaceutical companies for licensing and/or co-development rights to our late- and early-stage pipeline product candidates. If we are not successful in raising additional capital or entering into one or more licensing and/or co-development rights agreements, we may be required to, among other things, make reductions in our workforce, discontinue our development programs, liquidate all or a portion of our assets, and/or seek protection under the provisions of the U.S. Bankruptcy Code.

We do not have any products approved for sale and we have only generated revenue from our collaboration agreements. We have incurred operating losses and negative operating cash flows since inception and there is no assurance that we will ever achieve profitable operations, and if achieved, that profitable operations will be sustained. Our net loss for the nine months ended June 30, 2018 was \$17.9 million. Our net loss for the nine months ended June 30, 2017 was \$32.5 million. In addition, development activities, clinical and preclinical testing and commercialization of our product candidates will require significant additional financing.

### **Collaboration and License Agreements**

From time to time, we enter into collaboration and license agreements for the research and development, manufacture and/or commercialization of our products and/or product candidates. These agreements generally provide for non-refundable upfront license fees, development and commercial performance milestone payments, cost sharing, royalty payments and/or profit sharing.

#### ***Selexis SA***

In October 2011, we entered into a research license agreement with Selexis SA, or Selexis, pursuant to which we acquired a non-exclusive license to conduct research internally or in collaboration with third parties to develop recombinant proteins from mammalian cells created lines using the Selexis expression technology, or the Selexis Technology. The original research license had a three-year term, but on October 9, 2014, was extended for an additional three-year term through October 9, 2017, and then extended for one more year through October 9, 2018. We may sublicense our rights with Selexis' prior written consent but are prohibited from making commercial use of the Selexis Technology or the resultant recombinant proteins comprising our product candidates in humans, or from filing an investigational new drug, absent a commercial license agreement with Selexis covering the particular product candidate developed under the research license. In connection with the entry into the research license, we paid Selexis an initial fee and agreed to make additional annual maintenance payments of the same amount for each of the three years that the research license agreement term was extended.

Selexis also granted us a non-transferrable option to obtain a perpetual, non-exclusive, worldwide commercial license under the Selexis Technology to manufacture, or have manufactured, a recombinant protein produced by a cell line developed using the Selexis Technology for clinical testing and commercial sale. We exercised this option in April 2013 and entered into three commercial license agreements with Selexis for our ONS-3010, ONS-1045 and ONS-1050 biosimilar candidates. We paid an upfront licensing fee to Selexis for each commercial license and also agreed to pay a fixed milestone payment for each licensed product. In addition, we are required to pay a single-digit royalty on a final product-by-final product and country-by-country basis, based on worldwide net sales of such final products by us or any of our affiliates or sub-licensees during the royalty term. At any time during the term, we have the right to terminate our royalty payment obligation by providing written notice to Selexis and paying Selexis a royalty termination fee.

#### ***IPCA Laboratories Limited —Humira (ONS-3010), Avastin (ONS-1045) and Herceptin (ONS-1050)***

In August 2013, we entered into a strategic license agreement with IPCA Laboratories Limited, or IPCA, under which we granted IPCA and its affiliates a license for the research, development, manufacture, use or sale of ONS-3010 and, by amendment in May 2014, ONS-1045. The license is exclusive with respect to India, Sri Lanka and Myanmar, and non-exclusive with respect to Nepal and Bhutan. Under the terms of the August 2013 agreement, we received an upfront payment from IPCA, and are eligible to earn additional regulatory milestone payments for each of ONS-3010 and ONS-1045. In addition, we are eligible to receive royalties at a low teens percentage rate of annual net sales of products by IPCA and its affiliates in the agreed territory.

In January 2014, we entered into an agreement with IPCA to assist IPCA in establishing its research, development and manufacturing capabilities for mAbs and biologics, including, in part, through collaborative development, manufacture and commercialization of ONS-1050 (our Herceptin biosimilar), in the agreed territory (as specified below). The agreed territory for ONS-1050 includes the Republics of India, Sri Lanka, Myanmar, Nepal and Bhutan, while the agreed territory for any product candidates developed independent of our involvement is global without geographical restriction. We also agreed to assist IPCA with its research and development program. Under the terms of the January 2014 agreement, we are eligible to receive development payments and commercialization fees. In addition, we are eligible to receive royalties from IPCA at a mid-single digit rate on annual net sales of ONS-1050 commercialized by IPCA and its affiliates in the agreed territory.

As of June 30, 2018, we have received an aggregate of \$5.0 million of payments from IPCA under our various agreements.

#### ***Liomont — Humira (ONS-3010) and Avastin (ONS-1045)***

In June 2014, we entered into a strategic license agreement with Laboratories Liomont, S.A. de C.V., or Liomont, under which we granted Liomont and its affiliates an exclusive, sublicenseable license in Mexico for the research, development, manufacture, use or sale of the ONS-3010 and ONS-1045 biosimilar product candidates in Mexico. Under the terms of the agreement, we received an upfront payment from Liomont, and we are eligible to earn milestone payments for each of ONS-3010 and ONS-1045. In addition, we are eligible to receive tiered royalties at upper single-digit to low teens percentage rates of annual net sales of products by Liomont and its affiliates in Mexico. As of June 30, 2018, we have received an aggregate of \$3.0 million of upfront and milestone payments from Liomont.

#### ***Huahai — Humira (ONS-3010) and Avastin (ONS-1045)***

In May 2013, we entered into a series of agreements with Zhejiang Huahai Pharmaceutical Co., Ltd., or Huahai, to form an alliance for the purpose of developing and obtaining regulatory approval for, and commercial launch and marketing of licensed products in an agreed territory, as described below. The agreements include a strategic alliance agreement, which sets out the governance framework for the relationship, along with a joint participation agreement regarding joint development and commercialization of ONS-3010, and a co-development and license agreement for each of ONS-3010 and ONS-1045. As of June 30, 2018, we have received an aggregate of \$16.0 million of upfront and milestone payments from Huahai.

As contemplated by the strategic alliance agreement, we entered into a joint participation agreement with Huahai where we agreed to co-fund the development and share the value ownership interest of ONS-3010 in the United States, Canada, European Union, Japan, Australia and New Zealand. Under the agreement as amended, we are responsible for completing a defined “Phase-3 Ready Package” at our expense, for which the portion of the funds received from Huahai to date under this joint participation agreement was used.

In the event Huahai funds its proportionate share of development costs incurred after completion of the “Phase-3 Ready Packages,” Huahai would be entitled to retain its 51% value ownership, with us entitled to retain our 49% value ownership, of ONS-3010 in the agreed territories. Similarly, revenues from commercialization of ONS-3010 in the agreed countries (including major markets such as the United States and the European Union, among others), would also be shared based on such proportional ownership interests. In the event that Huahai does not fund its proportionate share of such development costs, the joint participation agreement provides for a proportionate adjustment to our respective value ownership interests based on our respective investments in such development costs, which would increase our value ownership interest in ONS-3010. Under the joint participation agreement, we could also be required to form a joint venture to further develop and commercialize ONS-3010 with Huahai in the agreed countries, if so requested by Huahai. In conjunction with the strategic alliance agreement, we also entered into a co-development and license agreement with Huahai, under which we granted Huahai and its affiliates an exclusive license, in the territory (as specified below) for the research, development, manufacture, use or sale of ONS-3010 or ONS-1045 in China, including, the People’s Republic of China, Hong Kong, Macau and Taiwan. We will each bear our respective costs under the development plans. Huahai agreed to carry out all clinical, manufacturing and regulatory requirements necessary for approval of the products in the agreed territory. Under the terms of the agreement, we received an upfront payment from Huahai for ONS-3010, and have received regulatory milestone payments for each of ONS-3010 and ONS-1045.

#### ***GMS Tenshi — Humira (ONS-3010) and Avastin (ONS-1045)***

On September 7, 2017, in connection with the entry into the GMS Tenshi purchase agreement for the Series A Convertible and warrants, we also entered into a joint development and license agreement providing for the license of rights to ONS-3010 and ONS-1045 in emerging markets, excluding China, India and Mexico, which superseded and replaced a previous strategic licensing agreement dated July 25, 2017. As of June 30, 2018, we have received an aggregate of \$5.0 million of payments from GMS Tenshi under our joint development and license agreement.

### **Components of our Results of Operations**

#### ***Collaboration Revenue***

To date, we have derived revenue only from activities pursuant to our collaboration and licensing agreements. We have not generated any revenue from commercial product sales. Until we begin generating revenue from our contract development and manufacturing services, if any, we expect all of our revenue, if any, will be generated from our collaboration and licensing agreements. If any of our biosimilar product candidates currently under development are approved for commercial sale, we may generate revenue from product sales, or alternatively, we may choose to select a collaborator to commercialize our product candidates.

The following table sets forth a summary of revenue recognized from our collaboration and licensing agreements for the three and nine months ended June 30, 2018 and 2017, all of which was from the recognition of deferred revenues under such agreements:

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
IPCA Collaboration	\$ 65,268	\$ 65,268	\$ 195,804	\$ 195,804
Liomont Collaboration	59,160	59,160	177,482	177,481
Huahai Collaboration	178,712	178,712	536,134	536,136
GMS Tenshi Collaboration	468,750	-	1,406,250	-
	<u>\$ 771,890</u>	<u>\$ 303,140</u>	<u>\$ 2,315,670</u>	<u>\$ 909,421</u>

Each of our collaboration and licensing agreements is considered to be a multiple-element arrangement for accounting purposes. We determined that there are two deliverables; specifically, the license to our biosimilar product candidate and the related research and development services that we are obligated to provide. We concluded that these deliverables should be accounted for as a single unit of accounting. We determined that the upfront license payments received should be deferred and recognized as revenue on a straight-line basis through the estimated period of completion of our obligations under the agreement.

### Research and Development Expenses

Research and development expense consists of expenses incurred in connection with the discovery and development of our product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our preclinical studies and clinical trials;
- manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials and commercial materials, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- payments made under a third-party assignment agreement, under which we acquired intellectual property;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses, utilities and other facility-related costs.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from any of our other product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the number and location of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;
- the duration of patient follow-up;
- the results of our clinical trials;
- the establishment of commercial manufacturing capabilities;
- the receipt of marketing approvals; and
- the commercialization of product candidates.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals. We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the U.S. Food and Drug Administration or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development. Product commercialization will take several years and millions of dollars in development costs.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size, complexity and duration of later-stage clinical trials. We expect our research and development expenses to increase significantly over the next several years as we increase personnel costs, including stock-based compensation, conduct clinical trials and prepare regulatory filings for our product candidates.

### ***General and Administrative Expenses***

General and administrative expenses consist principally of salaries and related costs for personnel in executive, administrative, finance and legal functions, including stock-based compensation, travel expenses and recruiting expenses. Other general and administrative expenses include facility related costs, patent filing and prosecution costs and professional fees for business development, legal, auditing and tax services and insurance costs.

We anticipate that our general and administrative expenses will increase as a result of increased payroll, expanded infrastructure and an increase in accounting, consulting, legal and tax-related services associated with maintaining compliance with stock exchange listing and SEC requirements, investor relations costs, and director and officer insurance premiums associated with being a public company. We also anticipate that our general and administrative expenses will increase in support of our clinical trials as we expand and progress our development programs. Additionally, if and when we believe a regulatory approval of a biosimilar product candidate appears likely, we anticipate an increase in payroll and expense as a result of our preparation for commercial operations, particularly as it relates to the sales and marketing of our biosimilar product.

### ***Interest Expense***

Interest expense consists of cash paid and non-cash interest expense related to our senior secured notes, former bank loans, notes with current and former stockholders, equipment loans and capital lease and other finance obligations.

### ***Loss on Extinguishment of Debt***

Loss on extinguishment of debt is attributable to the exchange of \$1.5 million of principal borrowings under our senior secured notes for shares of Series B Convertible. The loss represents the excess fair value of the Series B Convertible that was issued over the carrying value of the senior secured notes and accrued interest.

### ***Change in Fair Value of Warrant Liability***

Warrants to purchase our common stock that have been issued in conjunction with our senior secured notes are classified as liabilities and recorded at fair value. The warrants are subject to re-measurement at each balance sheet date and we recognize any change in fair value in our statements of operations as other (income) expense.

### ***Income Taxes***

In November 2017, we received approval from the New Jersey Economic Development Authority's Technology Business Tax Certificate Transfer Program to sell a portion of our unused New Jersey net operating losses, or NOLs, and research and development, or R&D, tax credits. As a result, we received \$3.15 million of cash from the sale of these NOLs and credits in December 2017. Since inception, we have not recorded any U.S. federal or state income tax benefits (excluding the sale of New Jersey state NOLs and research credits) for the net losses we have incurred in each year or on our earned R&D tax credits, due to our uncertainty of realizing a benefit from those items. As of September 30, 2017, we had federal and state NOL carryforwards of \$131.5 million and \$69.6 million, respectively that will begin to expire in 2030 and 2036, respectively. As of September 30, 2017, we had federal foreign tax credit carryforwards of \$2.9 million available to reduce future tax liabilities, which begin to expire starting in 2023. As of September 30, 2017, we also had federal research and development tax credit carryforwards of \$0.8 million, which begin to expire in 2031.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We have not completed a study to assess whether an ownership change has occurred in the past. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after our initial public offering, or IPO, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs are also subject to international regulations, which could restrict our ability to utilize our NOLs. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities.

## Results of Operations

### Comparison of Three Months Ended June 30, 2018 and 2017

	<b>Three months ended June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
Collaboration revenues	\$ 771,890	\$ 303,140	\$ 468,750
Operating expenses:			
Research and development	5,795,993	4,157,696	1,638,297
General and administrative	2,195,789	3,481,854	(1,286,065)
	<u>7,991,782</u>	<u>7,639,550</u>	<u>352,232</u>
Loss from operations	(7,219,892)	(7,336,410)	116,518
Interest expense, net	1,147,371	1,745,544	(598,173)
Change in fair value of warrant liability	64,659	(3,750,578)	3,815,237
Net loss	<u>\$ (8,431,922)</u>	<u>\$ (5,331,376)</u>	<u>\$ (3,100,546)</u>

#### Collaboration Revenues

Collaboration revenues increased \$0.5 million, to \$0.8 million, for the three months ended June 30, 2018, as compared to \$0.3 million for the three months ended June 30, 2017. The change is due to the amortization of the upfront payments received in August and September 2017 under our collaboration arrangement with GMS Tenshi.

#### Research and Development Expenses

The following table summarizes our research and development expenses by functional area for the three months ended June 30, 2018 and 2017:

	<b>Three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Preclinical and clinical development	\$ 1,813,631	\$ 432,910
Compensation and related benefits	1,760,865	1,883,234
Stock-based compensation	86,872	205,104
Other research and development	2,134,625	1,636,448
Total research and development expenses	<u>\$ 5,795,993</u>	<u>\$ 4,157,696</u>

The following table summarizes our research and development expenses by compound for the three months ended June 30, 2018 and 2017:

	<b>Three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
ONS-3010	\$ 53,351	\$ 150,978
ONS-1045	60,429	198,726
ONS-5010	1,692,797	-
Early-stage compounds	7,054	83,206
Personnel related and stock-based compensation	1,847,737	2,088,338
Other research and development	2,134,625	1,636,448
Total research and development expenses	<u>\$ 5,795,993</u>	<u>\$ 4,157,696</u>

Research and development expenses for the three months ended June 30, 2018 increased by \$1.6 million compared to the three months ended June 30, 2017. The increase in research and development expenses is primarily related to an increase of \$1.7 million resulting from development costs incurred for the ONS-5010 program as we prepare to initiate clinical trials in 2018.

#### *General and Administrative Expenses*

The following table summarizes our general and administrative expenses by type for the three months ended June 30, 2018 and 2017:

	<b>Three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Professional fees	\$ 785,549	\$ 489,280
Compensation and related benefits	677,733	573,029
Stock-based compensation	147,247	1,916,000
Facilities, fees and other related costs	585,260	503,545
Total general and administrative expenses	<u>\$ 2,195,789</u>	<u>\$ 3,481,854</u>

General and administrative expenses for the three months ended June 30, 2018 decreased by \$1.3 million compared to the three months ended June 30, 2017. The reduction was primarily driven by a reduction in stock-based compensation expense of \$1.8 million related to the completion of the vesting period of most pre-IPO equity grants in the first quarter of our fiscal 2018.

#### *Interest Expense*

Interest expense decreased by \$0.6 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to the conversion of a portion of our senior secured notes in October 2017.

#### *Change in Fair Value of Warrant Liability*

During the three months ended June 30, 2018, we recorded expense of \$0.1 million related to the increase in the fair value of our common stock warrant liability. For the three months ended June 30, 2017, we recorded income of \$3.8 million resulting from a decrease in the fair value of our common stock warrant liability from a decline in the price of our common stock.

#### *Comparison of Nine Months Ended June 30, 2018 and 2017*

	<b>Nine months ended June 30,</b>		<b>Change</b>
	<b>2018</b>	<b>2017</b>	
Collaboration revenues	\$ 2,315,670	\$ 909,421	\$ 1,406,249
Operating expenses:			
Research and development	11,354,781	21,504,939	(10,150,158)
General and administrative	8,191,546	12,374,125	(4,182,579)
	<u>19,546,327</u>	<u>33,879,064</u>	<u>(14,332,737)</u>
Loss from operations	(17,230,657)	(32,969,643)	15,738,986
Interest expense, net	2,786,124	3,478,581	(692,457)
Loss on extinguishment of debt	1,252,353	-	1,252,353
Change in fair value of warrant liability	(226,116)	(3,976,397)	3,750,281
Loss before income taxes	(21,043,018)	(32,471,827)	11,428,809
Income tax (benefit) expense	(3,150,716)	4,000	(3,154,716)
Net loss	<u>\$ (17,892,302)</u>	<u>\$ (32,475,827)</u>	<u>\$ 14,583,525</u>

### Collaboration Revenues

Collaboration revenues increased \$1.4 million, to \$2.3 million, for the nine months ended June 30, 2018, as compared to \$0.9 million for the nine months ended June 30, 2017. The change is due to the amortization of the upfront payments received in August and September 2017 under our collaboration arrangement with GMS Tenshi.

### Research and Development Expenses

The following table summarizes our research and development expenses by functional area for the nine months ended June 30, 2018 and 2017:

	<b>Nine months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Preclinical and clinical development	\$ 4,815,386	\$ 9,566,555
Settlement of clinical development contract	(3,228,613)	-
Compensation and related benefits	4,863,686	6,802,489
Stock-based compensation	2,079	1,022,919
Other research and development	4,902,243	4,112,976
Total research and development expenses	<u>\$ 11,354,781</u>	<u>\$ 21,504,939</u>

The following table summarizes our research and development expenses by compound for the nine months ended June 30, 2018 and 2017:

	<b>Nine months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
ONS-3010	\$ 573,518	\$ 5,741,536
ONS-1045	348,596	3,040,361
ONS-5010	3,730,327	-
Early-stage compounds	162,945	784,658
Settlement of clinical development contract	(3,228,613)	-
Personnel related and stock-based compensation	4,865,765	7,825,408
Other research and development	4,902,243	4,112,976
Total research and development expenses	<u>\$ 11,354,781</u>	<u>\$ 21,504,939</u>

Research and development expenses for the nine months ended June 30, 2018 decreased by \$10.2 million compared to the nine months ended June 30, 2017 due to reductions in pre-clinical and clinical development spending, a related contract settlement and lower personnel related costs. Overall pre-clinical and clinical research and development expenses decreased by \$4.8 million due primarily to our decision to postpone the initiation of our planned Phase 3 clinical trials for ONS-3010 and ONS-1045 until we secure additional development partners. This resulted in a \$7.9 million decrease in costs related to these two programs, which was partially offset by \$3.7 million in development costs incurred related to our ONS-5010 program as we prepare for clinical trials in 2018. During the nine months ended June 30, 2018, we also terminated an agreement related to ONS-3010 and ONS-1045 and were able to favorably settle amounts previously owed under the contract resulting in a reduction to our accrued research and development expenses of \$3.2 million. Additionally, we experienced a reduction of \$3.0 million in personnel related costs for the nine months ended June 30, 2018 due to a combination of lower salaries and benefits from reduced employee headcount in the current period as a result of attrition in late 2017 and lower stock-based compensation due to the related forfeitures of equity awards by departing employees and the completion of the vesting period of most pre-IPO equity grants earlier in fiscal 2018.

## General and Administrative Expenses

The following table summarizes our general and administrative expenses by type for the nine months ended June 30, 2018 and 2017:

	<b>Nine months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Professional fees	\$ 2,213,073	\$ 2,689,077
Compensation and related benefits	1,982,597	2,039,105
Stock-based compensation	1,821,649	5,889,628
Facilities, fees and other related costs	2,174,227	1,756,315
Total general and administrative expenses	<u>\$ 8,191,546</u>	<u>\$ 12,374,125</u>

General and administrative expenses for the nine months ended June 30, 2018 decreased by \$4.2 million compared to the nine months ended June 30, 2017. The reduction was primarily a result of a decrease in stock-based compensation expenses of \$4.1 million related to the completion of the vesting period of most pre-IPO equity grants earlier in fiscal 2018.

## Interest Expense

Interest expense decreased by \$0.7 million for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017, primarily due to the conversion of a portion of our senior secured notes in October 2017.

## Change in Fair Value of Warrant Liability

During the nine months ended June 30, 2018, we recorded income of \$0.2 million related to the decrease in the fair value of our common stock warrant liability. For the nine months ended June 30, 2017 we recorded income of \$4.0 million as a result of a decrease in the price of our common stock during the period.

## Liquidity and Capital Resources

We have not generated any revenue from product sales. Since inception, we have incurred net losses and negative cash flows from our operations. Through June 30, 2018, we have funded substantially all of our operations through \$195.3 million of net proceeds from the sale and issuance of our equity securities, debt securities and borrowings under debt facilities. We have also received an aggregate of \$29.0 million pursuant to our collaboration and licensing agreements. In the quarter ended June 30, 2018, we sold an aggregate of 12,754,766 shares of our common stock and warrants to acquire an aggregate of 20,512,820 shares of our common stock to GMS Tenshi for aggregate cash proceeds of \$15.0 million. The warrants have an exercise price of \$0.975 per share and a term of eight years from their issuance date.

In September 2017, we closed on the initial sale of 32,628 shares of Series A Convertible to GMS Tenshi for \$3.3 million of cash, and entered into an investor rights agreement and joint development and licensing agreement. In October 2017, following receipt of stockholder approval, we issued an additional 217,372 shares of our Series A Convertible and warrants to acquire an aggregate of 16,750,000 shares of our common stock to GMS Tenshi for \$21.7 million of cash. All of the issues Series A Convertible was exchanged for Series A-1 Preferred in July 2018. We also converted \$1.5 million aggregate principal amount of our senior secured notes into 1,500,000 shares of our Series B Convertible, all of which shares converted into an aggregate of 2,112,675 shares of our common stock in the quarter ended June 30, 2018. In November 2017, we received approval from the New Jersey Economic Development Authority's Technology Business Tax Certificate Transfer Program to sell a portion of our unused New Jersey net operating losses, or NOLs, and research and development tax credits. As a result, we received \$3.15 million of cash from the sale of these NOLs and credits in December 2017. We will require additional capital to fund our operations past November 2018. Alternatively, we will be required to, among other things, make reductions in our workforce, discontinue our development programs, liquidate all or a portion of our assets, and/or seek protection under the provisions of the U.S. Bankruptcy Code.

As of June 30, 2018, we had an accumulated deficit of \$204.1 million and a cash balance of \$11.8 million. In addition, we have \$13.5 million of senior secured notes due in December 2018 and \$4.6 million of indebtedness that is due on demand. These matters raise substantial doubt about our ability to continue as a going concern. Our unaudited interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. We anticipate incurring additional losses until such time, if ever, that we can generate significant sales of our product candidates currently in development or from receiving fees for contract development and manufacturing services that we plan to provide for other biopharmaceutical companies. We will need substantial additional financing to fund our operations and to commercially develop our product candidates. Management is currently evaluating various strategic opportunities to obtain the required funding for future operations. These strategies may include, but are not limited to: providing contract development and manufacturing services on a fee for service basis, private placements of equity and/or debt, payments from potential strategic research and development partners, licensing and/or marketing arrangements with pharmaceutical companies, and public offerings of equity and/or debt securities. Additionally, we continue to engage in active discussions with global and regional pharmaceutical companies for licensing and/or co-development rights to our late- and early-stage pipeline candidates. There can be no assurance that these future funding efforts will be successful.

Our future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above, (ii) our ability to complete revenue-generating partnerships with pharmaceutical companies, (iii) the success of our research and development, (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately, (v) regulatory approval and market acceptance of our proposed future products.

### **Cash Flows**

The following table summarizes our cash flows for each of the periods presented:

	<b>Nine months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash used in operating activities	\$ (24,645,339)	\$ (15,584,908)
Net cash used in investing activities	(1,518,349)	(268,106)
Net cash provided by financing activities	34,774,837	13,641,025
Net increase (decrease) in cash	<u>\$ 8,611,149</u>	<u>\$ (2,211,989)</u>

#### *Operating Activities.*

During the nine months ended June 30, 2018, we used \$24.6 million of cash in operating activities resulting from our net loss of \$17.9 million and the change in our operating assets and liabilities of \$13.0 million. This use of cash was partially offset by \$6.3 million of non-cash items such as non-cash interest expense, stock-based compensation, change in fair value of warrant liability, loss on extinguishment of debt and depreciation and amortization expense. The change in our operating assets and liabilities was primarily due to payments of our outstanding accounts payable and accrued expenses from September 30, 2017 as well as the prepayment of certain research and development expenses and the amortization of our deferred revenues from collaborations.

During the nine months ended June 30, 2017, we used \$15.6 million of cash in operating activities, primarily resulting from our net loss of \$32.5 million. This use of cash was partially offset by the net cash provided from changes in our operating assets and liabilities of \$9.6 million and \$7.3 million of non-cash items such as non-cash interest expense, stock-based compensation, change in fair value of warrant liability and depreciation and amortization expense. The change in our operating assets and liabilities was primarily due to increases in accounts payable and accrued expenses, and a decrease in prepaid expenses related to the timing of vendor payments for research and development. These inflows were partially offset by a decrease in deferred revenues due to ratable recognition of upfront payments received under our collaboration arrangements.

#### *Investing Activities.*

During the nine months ended June 30, 2018 and 2017, we used cash of \$1.5 million and \$0.3 million, respectively, in investing activities for the purchase of property and equipment.

#### *Financing Activities.*

During the nine months ended June 30, 2018, net cash provided by financing activities was \$34.8 million, primarily attributable to \$20.6 million in net proceeds from our second closing of our Series A Convertible in October 2017 and \$14.9 million in net proceeds from the sale of common stock and warrants to GMS Tenshi in May and June 2018. We also had \$0.7 million in debt payments.

During the nine months ended June 30, 2017, net cash provided by financing activities was \$13.6 million, primarily attributable to \$15.0 million in proceeds from our senior secured notes and warrants and \$1.9 million from the sale of common stock and exercise of warrants, net of offering costs. These inflows were offset by \$3.4 million in debt payments, \$2.4 million of which was used to repay senior bank loans in December 2016.

**Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of June 30, 2018.

**Contractual Obligations and Commitments**

Not applicable.

**Critical Accounting Policies and Significant Judgments and Estimates**

The Critical Accounting Policies and Significant Judgments and Estimates included in our Form 10-K for the fiscal year ended September 30, 2017, filed with the SEC on December 29, 2017, as amended to date, have not materially changed.

**JOBS Act Accounting Election**

The JOBS Act, permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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 a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this report.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our third fiscal quarter ended June 30, 2018.

## **Part II. Other Information**

### **Item 1. Legal Proceedings**

From time to time, we may become involved in litigation relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows.

### **Item 1A. Risk Factors**

Not applicable.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

### **Item 3. Defaults Upon Senior Securities**

Not applicable.

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

Not applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	<a href="#">Certificate of Designation of Series A-1 Convertible Preferred Stock of Oncobiologics, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed with the SEC on July 19, 2018).</a>
<a href="#">10.1</a>	<a href="#">Purchase Agreement by and between Oncobiologics, Inc. and GMS Tenshi Holdings Pte. Limited, dated as of May 11, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed with the SEC on May 15, 2018).</a>
<a href="#">10.2</a>	<a href="#">Form of Warrant to Purchase Common Stock issued to GMS Tenshi (incorporated by reference to Exhibit 4.1 to the Registrant's current report on Form 8-K filed with the SEC on May 15, 2018).</a>
<a href="#">10.3</a>	<a href="#">Amendment to Investor Rights Agreement by and between Oncobiologics, Inc. and GMS Tenshi Holdings Pte. Limited, dated May 11, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's current report on Form 8-K filed with the SEC on May 15, 2018).</a>
<a href="#">10.4</a>	<a href="#">Term Sheet, Convertible Preferred Equity Investment in Oncobiologics, Inc. by and between Oncobiologics, Inc. and GMS Tenshi Holdings Pte. Limited, dated June 20, 2018.</a>
<a href="#">10.5</a>	<a href="#">Separation Agreement and Release by and between Oncobiologics, Inc. and Pankaj Mohan, Ph.D., dated July 2, 2018.</a>
<a href="#">10.6</a>	<a href="#">Consulting Agreement by and between Oncobiologics, Inc. and Pankaj Mohan, Ph.D., dated July 2, 2018.</a>
<a href="#">10.7</a>	<a href="#">Exchange Agreement by and between Oncobiologics, Inc. and GMS Tenshi Holdings Pte. Limited, dated July 18, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed with the SEC on July 19, 2018).</a>
<a href="#">10.8</a>	<a href="#">Second Amendment to Investor Rights Agreement by and between Oncobiologics, Inc. and GMS Tenshi Holdings Pte. Limited, dated July 18, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's current report on Form 8-K filed with the SEC on July 19, 2018).</a>
<a href="#">31.1</a>	<a href="#">Certification of Principal Executive and Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1*</a>	<a href="#">Certification of Principal Executive and Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* This certification is being furnished solely to accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**SIGNATURES**

Pursuant to the requirements 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.

**ONCOBIOLOGICS, INC.**

Date: August 14, 2018

By: /s/ Lawrence A. Kenyon

Lawrence A. Kenyon

Chief Executive Officer and Chief Financial Officer

(Principal Executive, Accounting, and Financial Officer)



**Documentation**

Documentation required to effect the transaction will be on customary terms and will include an exchange agreement, certificate of designation, amendment of investor rights agreement, and such other documents and agreements (including any amendments or modifications to existing documents or agreements between the Investor and the Company) as are required by the Investor to effectuate the purpose of this exchange and as are reasonably necessary or appropriate.

**Fees and Expenses**

In consideration of the significant time and resources expended to date and to be expended by the Investor with respect to the transactions as described in this Term Sheet, regardless of whether the transactions contemplated by this Term Sheet are consummated, the Company shall pay and reimburse Investor for, and Investor shall be entitled to, all reasonable and documented out of pocket fees and expenses incurred by the Investor in connection with the negotiation, execution, diligence, evaluation and structuring of this Transaction (including costs of recovering any such fees or expenses from the Company in a dispute or otherwise).

If Investor has converted at least 208,836 shares of Series A Preferred into Company common stock on or prior to June 21, 2018, and the exchange of the remaining issued and outstanding shares of Series A Preferred held by Investor for newly created Series A-1 Preferred on substantially the terms as contemplated hereby shall not have occurred on or prior to July 20, 2018, the Transaction shall be terminated and abandoned without any further action required by either the Investor or the Company, the unconverted Series A Preferred then held by Investor will remain issued and outstanding and governed by its terms, and Investor shall be entitled to payment by the Company of a conversion premium equal to \$10 million (as liquidated damages) via wire transfer of immediately available funds to an account designated by the Investor in writing within two Business Days of such termination and abandonment in lieu of any such exchange.

**Confidentiality**

The existence and terms of this Term Sheet shall not be disclosed to a third party by Investor or the Company unless such party reasonably determines (based upon advice of outside counsel) that disclosure of the existence or terms of this Term Sheet is required by law. In such event, the party proposing to disclose the existence or terms of this Term Sheet shall provide the other party with as much prior notice as is practicable.

**Authority; Efforts**

This Term Sheet and the proposed Transaction contemplated hereby have been duly approved by the Company's special finance committee, including the binding provisions hereof. No other approvals or consents are required by the Company. The Company's special finance committee has authorized the officers of the Company to execute this Term Sheet and to negotiate, memorialize and execute the proposed Transaction and to carry out the purpose of this Term Sheet. The Company hereby agrees to use its reasonable best efforts acting in good faith to negotiate and execute the Transaction within 30 calendar days of the date hereof.

**Governing Law**

This Term Sheet is governed by the laws of the State of New York.

Each of the parties to this letter agreement hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and the United States of America, in each case located in the County of New York, for any actions, suits or proceedings arising out of or relating to this letter agreement (and each such party agrees not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by United States registered mail to its address set forth above shall be effective service of process for any action, suit or proceeding brought against such party in any such court. Each of the parties to this letter agreement hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this letter agreement, in the courts of the State of New York and the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties hereto have caused this Term Sheet to be executed as of the date first written above.

**INVESTOR:**

GMS TENSHI HOLDINGS PTE. LTD.

By:     /s/ Faisal Sukhtian    

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**COMPANY:**

ONCOBIOLOGICS, INC.

By:     /s/ Lawrence A. Kenyon    

Name: Lawrence A. Kenyon

Title: CFO

**SEPARATION AGREEMENT AND RELEASE**

This Separation Agreement and Release (“Agreement”) is made by and between Pankaj Mohan, Ph.D. (“Employee”) and Oncobiologics, Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”).

**RECITALS**

WHEREAS, Employee was employed by the Company;

WHEREAS, Employee is a shareholder of the Company and serves on the Board of Directors of the Company (the “Board”);

WHEREAS, Employee signed an Executive Employment Agreement with the Company on or about February 22, 2016 (the “Offer Letter”);

WHEREAS, Employee signed an Employee Proprietary Information, Inventions, Non-Solicitation and Non-Competition Agreement with the Company on February 22, 2016 (the “Confidentiality Agreement”);

WHEREAS, the Company and Employee entered into an Indemnity Agreement (the “Indemnity Agreement”);

WHEREAS, Employee separated from employment with the Company effective June 18, 2018 (the “Separation Date”);

WHEREAS, contemporaneously with this Agreement, Employee will enter into a Consulting Agreement with the Company (the “Consulting Agreement”), and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees as defined below, arising out of or related to Employee’s employment with or separation from the Company;

WHEREAS, the Parties agree that this Agreement shall not limit Employee’s rights as a shareholder or Board member.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

**COVENANTS**

1. Consideration. In consideration of Employee’s execution of this Agreement and Employee’s fulfillment of all of its terms and conditions, and provided that Employee does not revoke the Agreement under Section 5 below, the Company agrees as follows:

a. Initial Salary Payment. The Company agrees to pay Employee a lump sum approximately equivalent to six (6) months of Employee’s base salary, for a total of Two Hundred Forty Five Thousand Dollars (\$245,000.00), less applicable withholding, within ten (10) business days after the Effective Date of this Agreement.

b. Initial Bonus Payment. The Company agrees to pay Employee a lump sum approximately equivalent to 50% of Employee’s 2018 Target Bonus, for a total of One Hundred Twenty Two Thousand Five Hundred Dollars (\$122,500.00), less applicable withholding, within ten (10) business days after the Effective Date of this Agreement.

c. Second Salary Payment. The Company agrees to pay Employee a lump sum approximately equivalent to six (6) months of Employee’s base salary, for a total of Two Hundred Forty Five Thousand Dollars (\$245,000.00), less applicable withholding, by no later than January 4, 2019.

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d. Second Bonus Payment. The Company agrees to pay Employee a lump sum approximately equivalent to 50% of Employee's 2018 Target Bonus, for a total of One Hundred Twenty Two Thousand Five Hundred Dollars (\$122,500.00), less applicable withholding, by no later than January 4, 2019.

e. COBRA. The Company shall reimburse Employee for the payments Employee makes for COBRA coverage for a period of twelve (12) months, or until Employee has secured other full-time employment, whichever occurs first, provided Employee timely elects and pays for COBRA coverage. COBRA reimbursements shall be made by the Company to Employee consistent with the Company's normal expense reimbursement policy, provided that Employee submits documentation to the Company substantiating Employee's payments for COBRA coverage.

f. General. Employee specifically acknowledges and agrees that the consideration provided to Employee hereunder fully satisfies any obligation that the Company had to pay Employee wages, severance, separation pay, or any other compensation for any of the services that Employee rendered to the Company or pursuant to any express or implied Company contract, that the amount paid is in excess of any disputed wage claim or claim for severance or separation pay that Employee may have, that the consideration paid shall be deemed to be paid first in satisfaction of any disputed wage claim or claim for severance or separation pay with the remainder sufficient to act as consideration for the release of claims set forth herein, and that Employee has not earned and is not entitled to receive any additional wages, severance, separation pay, or other form of compensation from the Company. Employee acknowledges and agrees that without this Agreement, Employee is otherwise not entitled to the consideration listed in this Section 1.

2. Benefits. Employee's health insurance benefits shall cease on the Separation Date, unless otherwise stated in the Company's health insurance plan documents and subject to Employee's right to continue Employee's health insurance under COBRA. Employee's participation in all benefits and incidents of employment, including, but not limited to, vesting in stock options, and the accrual of bonuses, vacation, and paid time off, ceased as of the Separation Date.

3. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Company and its agents have paid or provided all salary, wages, bonuses, accrued vacation/paid time off, notice periods, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee.

4. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship;

b. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

c. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Uniformed Services Employment and Reemployment Rights Act; the New Jersey Law Against Discrimination; the New Jersey Equal Pay Act; the New Jersey Conscientious Employee Protection Act; the New Jersey Civil Rights Act; the New Jersey Family Leave Act; the New Jersey State Wage and Hour Law; and the New Jersey Wage Withholding Protection Law.

d. any and all claims for violation of the federal or any state constitution;

e. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

f. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

g. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement. This release does not release claims that cannot be released as a matter of law, including any Protected Activity (as defined below). This release does not extend to any right Employee may have to unemployment compensation benefits or workers' compensation benefits. Employee represents that Employee has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section.

5. Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Employee agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that: (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has twenty-one (21) days within which to consider this Agreement; (c) Employee has seven (7) days following Employee's execution of this Agreement to revoke this Agreement; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Employee signs this Agreement and returns it to the Company in less than the 21-day period identified above, Employee hereby acknowledges that Employee has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Employee acknowledges and understands that revocation must be accomplished by a written notification to the undersigned Company representative that is received prior to the Effective Date. The Parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.

6. No Pending or Future Lawsuits. Employee represents that Employee has no lawsuits, claims, or actions pending in Employee's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Employee also represents that Employee does not intend to bring any claims on Employee's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees.

7. Application for Employment. Employee understands and agrees that, as a condition of this Agreement, Employee shall not be entitled to any employment with the Company, and Employee hereby waives any right, or alleged right, of employment or re-employment with the Company. Employee further agrees not to apply for employment with the Company and not otherwise pursue an independent contractor or vendor relationship with the Company, except as agreed upon by the Parties in the Consulting Agreement.

8. Confidentiality. Employee agrees to maintain in complete confidence the existence of this Agreement, the contents and terms of this Agreement, and the consideration for this Agreement (hereinafter collectively referred to as "Separation Information"). Except as required by law, Employee may disclose Separation Information only to Employee's immediate family members, the Court in any proceedings to enforce the terms of this Agreement, Employee's counsel, and Employee's accountant and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and must prevent disclosure of any Separation Information to all other third parties. Employee agrees that Employee will not publicize, directly or indirectly, any Separation Information.

9. Trade Secrets and Confidential Information/Company Property. Employee reaffirms and agrees to observe and abide by the terms of the Confidentiality Agreement, specifically including the provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information, with the exception of the provisions concerning noncompetition and nonsolicitation of Company employees, which are hereby superseded by Section 10 of this Agreement. Employee agrees that the above reaffirmation and agreement with the Confidentiality Agreement shall constitute a new and separately enforceable agreement to abide by the terms of the Confidentiality Agreement, entered and effective as of the Effective Date. Employee specifically acknowledges and agrees that any violation of the restrictive covenants in the Confidentiality Agreement and/or this Agreement shall constitute a material breach of this Agreement. Employee's signature below constitutes Employee's certification under penalty of perjury that Employee has returned all documents and other items provided to Employee by the Company, developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company, including, but not limited to, all passwords to any software or other programs or data that Employee used in performing services for the Company.

10. Covenant Not to Compete and No Solicitation

A. *Covenant Not to Compete – Advanced Products.* Employee agrees for a period beginning on the Effective Date and terminating on the date that is forty-eight (48) months after the date on which (y) Employee ceases being a director of the Company, or (z) the Consulting Agreement is terminated, whichever is later, Employee will not, without the prior written consent of the Company, directly or indirectly, whether paid or not: (i) serve as a partner, principal, licensor, licensee, employee, consultant, officer, director, manager, agent, affiliate, representative, advisor, promoter, associate, or investor for, (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, or (iii) build, design, finance, acquire, lease, operate, manage, control, invest in, work or consult for or otherwise join, participate in or affiliate Employee with, any business whose business, products or operations involve the development, sale, or marketing of products the same as or similar to the Company's ONS-1045 or other Avastin biosimilars, ONS-3010 or other Humira biosimilars, and ONS-5010.

B. *Covenant Not to Compete – Other Products.* Employee agrees for a period beginning on the Effective Date and terminating on the date that is twelve (12) months after the date on which (y) Employee ceases being a director of the Company, or (z) the Consulting Agreement is terminated, whichever is later, Employee will not, without the prior written consent of the Company, directly or indirectly, whether paid or not: (i) serve as a partner, principal, licensor, licensee, employee, consultant, officer, director, manager, agent, affiliate, representative, advisor, promoter, associate, or investor for, (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, or (iii) build, design, finance, acquire, lease, operate, manage, control, invest in, work or consult for or otherwise join, participate in or affiliate Employee with, any business whose business, products or operations involve the development, sale, or marketing of products the same as or similar to the Company's Prolia or Stelara biosimilar products.

C. *No Solicitation of Employees.* Employee agrees for a period beginning on the Effective Date and terminating on the date that is twelve (12) months after the date on which (y) Employee ceases being a director of the Company, or (z) the Consulting Agreement is terminated, whichever is later, Employee will not directly or indirectly hire, solicit, or recruit, or attempt to hire, solicit, or recruit, any employee of the Company to leave their employment with the Company, nor will Employee contact any employee of the Company, or cause an employee of the Company to be contacted, for the purpose of leaving employment with the Company.

D. *Acknowledgements.* In the event of Employee's breach or violation of this Section 10, or good faith allegation by the Company of my breach or violation of this Section, the restricted periods set forth in this Section shall be tolled until such breach or violation, or dispute related to an allegation by the Company that Employee has breached or violated this Section, has been duly cured or resolved, as applicable. The covenants contained in subsections (A), (B), and (C) above shall be construed as a series of separate covenants, one for each city, county and state of any geographic area in the Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in subsections (A), (B), and (C) above. If, in any judicial or arbitral proceeding, a court or arbitrator refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be revised, or if revision is not permitted it shall be eliminated from this Agreement, to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that the provisions of subsections (A), (B), and (C) above are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, then permitted by such law.

11. No Cooperation. Employee agrees that Employee will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that Employee cannot provide counsel or assistance.

12. Nondisparagement. Employee agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. The Company agrees to refrain from any disparagement, defamation, libel, or slander of Employee, and agrees to refrain from any tortious interference with the contracts and relationships of Employee. The Parties understand and agree that the Company's obligations under this Agreement apply to its officers and directors and only for so long as each remains employed by or affiliated with the Company. Employee shall direct any inquiries by potential future employers to the Company's human resources department, which shall provide only the Employee's last position and dates of employment. Employee's violation of this provision shall be a material breach of this Agreement.

13. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that any material breach of this Agreement, unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or of any provision of the Confidentiality Agreement shall entitle the Company immediately to recover and/or cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as provided by law, provided, however, that the Company shall not recover One Hundred Dollars (\$100.00) of the consideration already paid pursuant to this Agreement and such amount shall serve as full and complete consideration for the promises and obligations assumed by Employee under this Agreement and the Confidentiality Agreement.

14. No Admission of Liability. Employee understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee. No action taken by the Company hereto, either previously or in connection with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Employee or to any third party.

15. Costs. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

16. ARBITRATION. THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, THEIR INTERPRETATION, AND ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION IN MIDDLESEX COUNTY, BEFORE THE JUDICIAL ARBITRATION AND MEDIATION SERVICE ("JAMS") UNDER ITS COMPREHENSIVE ARBITRATION RULES ("JAMS RULES") AND NEW JERSEY LAW. THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN ACCORDANCE WITH NEW JERSEY LAW, AND THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL NEW JERSEY LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO ANY CONFLICT-OF-LAW PROVISIONS OF ANY JURISDICTION. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH NEW JERSEY LAW, NEW JERSEY LAW SHALL TAKE PRECEDENCE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES TO THE ARBITRATION SHALL EACH PAY HALF THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH PARTY SHALL SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES; PROVIDED, HOWEVER, THAT THE ARBITRATOR SHALL AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. THE PARTIES AGREE THAT PUNITIVE DAMAGES SHALL BE UNAVAILABLE IN ARBITRATION. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. NOTWITHSTANDING THE FOREGOING, THIS SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THIS AGREEMENT AND THE AGREEMENTS INCORPORATED HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS PARAGRAPH CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT SHALL GOVERN.

17. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

18. Protected Activity. Employee understands that nothing in this Agreement shall in any way limit or prohibit Employee from engaging for a lawful purpose in any Protected Activity, provided, however, that Employee agrees not to seek or accept any monetary award from such a proceeding (except with respect to proceedings before the Securities and Exchange Commission). For purposes of this Agreement, "Protected Activity" shall mean filing a charge, complaint, or report with, or otherwise communicating with, cooperating with or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("Government Agencies"). Employee understands that in connection with such Protected Activity, Employee is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Employee agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information under the Confidentiality Agreement to any parties other than the relevant Government Agencies. Employee further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company's written consent shall constitute a material breach of this Agreement. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

19. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

20. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

21. Attorneys' Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

22. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's employment with the Company, including the Executive Employment Agreement and the Indemnity Agreement, with the exception of the arbitration provision in the Executive Employment Agreement, any provision of the Indemnity Agreement that applies to Employee's position as a director on the Board, the Confidentiality Agreement, Consulting Agreement, and any agreements between the Company and Employee relating to stock or stock options or his position as a director on the Board.

23. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and the Company's Chief Executive Officer.

24. Governing Law. This Agreement shall be governed by the laws of the State of New Jersey, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of New Jersey.

25. Effective Date. Employee understands that this Agreement shall be null and void if not executed by Employee, and returned to the Company, within the twenty-one (21) day period set forth above. Each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Employee signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date").

26. Counterparts. This Agreement may be executed in counterparts and each counterpart shall be deemed an original and all of which counterparts taken together shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. The counterparts of this Agreement may be executed and delivered by facsimile, photo, email PDF, DocuSign/EchoSign or a similarly accredited secure signature service, or other electronic transmission or signature. This Agreement may be executed in one or more counterparts, and counterparts may be exchanged by electronic transmission (including by email), each of which will be deemed an original, but all of which together constitute one and the same instrument.

27. Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and any of the other Releasees. Employee acknowledges that:

- (a) Employee has read this Agreement;
- (b) Employee has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Employee's own choice or has elected not to retain legal counsel;
- (c) Employee understands the terms and consequences of this Agreement and of the releases it contains; and
- (d) Employee is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated: 1st July 2018

PANKAJ MOHAN, an individual

/s/ Pankaj Mohan  
Pankaj Mohan, Ph.D.

Dated: July 2, 2018

ONCOBIOLOGICS, INC.

By /s/ Lawrence A. Kenyon  
Lawrence A. Kenyon  
CFO

## ONCOBIOLOGICS, INC.

## CONSULTING AGREEMENT

This Consulting Agreement (this "**Agreement**") is made and entered into as of July 2, 2018 (the "**Effective Date**") by and between Oncobiologics, Inc., a Delaware corporation with its principal place of business at 7 Clarke Drive, Cranbury, New Jersey, 08512 USA (the "**Company**"), and Pankaj Mohan, Ph.D. ("**Consultant**") (each herein referred to individually as a "**Party**," or collectively as the "**Parties**").

The Company desires to retain Consultant as an independent contractor to perform consulting services for the Company, and Consultant is willing to perform such services, on the terms described below. In consideration of the mutual promises contained herein, the Parties agree as follows:

**1. Services and Compensation**

Consultant shall perform the services described in **Exhibit A** (the "**Services**") for the Company (or its designee), and the Company agrees to pay Consultant the compensation described in **Exhibit A** for Consultant's performance of the Services.

**2. Applicability to Past Activities**

Consultant agrees that if and to the extent that Consultant provided any services or made efforts on behalf of or for the benefit of Company, or related to the current or prospective business of Company in anticipation of Consultant's involvement with the Company, that would have been "Services" if performed during the term of this Agreement (the "**Prior Consulting Period**") and to the extent that during the Prior Consulting Period: (i) Consultant received access to any information from or on behalf of Company that would have been "Confidential Information" (as defined below) if Consultant received access to such information during the term of this Agreement; or (ii) Consultant conceived, created, authored, invented, developed or reduced to practice any item (including any intellectual property rights with respect thereto) on behalf of or for the benefit of Company, or related to the current or prospective business of Company in anticipation of Consultant's involvement with Company, that would have been an "Invention" (as defined below) if conceived, created, authored, invented, developed or reduced to practice during the term of this Agreement; then any such information shall be deemed "Confidential Information" hereunder and any such item shall be deemed an "Invention" hereunder, and this Agreement shall apply to such activities, information or item as if disclosed, conceived, created, authored, invented, developed or reduced to practice during the term of this Agreement. Consultant further acknowledges that Consultant has been fully compensated for all services provided during any such Prior Consulting Period.

**3. Confidentiality**

A. **Definition of Confidential Information.** "**Confidential Information**" means any information (including any and all combinations of individual items of information) that relates to the actual or anticipated business and/or products, research or development of the Company, its affiliates or subsidiaries, or to the Company's, its affiliates' or subsidiaries' technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company's, its affiliates' or subsidiaries' products or services and markets therefor, customer lists and customers (including, but not limited to, customers of the Company on whom Consultant called or with whom Consultant became acquainted during the term of this Agreement), software, developments, inventions, discoveries, ideas, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company, its affiliates or subsidiaries, either directly or indirectly, in writing, orally or by drawings or inspection of premises, parts, equipment, or other property of Company, its affiliates or subsidiaries. Notwithstanding the foregoing, Confidential Information shall not include any such information which Consultant can establish (i) was publicly known or made generally available prior to the time of disclosure to Consultant; (ii) becomes publicly known or made generally available after disclosure to Consultant through no wrongful action or inaction of Consultant; or (iii) is in the rightful possession of Consultant, without confidentiality obligations, at the time of disclosure as shown by Consultant's then-contemporaneous written records; provided that any combination of individual items of information shall not be deemed to be within any of the foregoing exceptions merely because one or more of the individual items are within such exception, unless the combination as a whole is within such exception.

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B. **Nonuse and Nondisclosure.** During and after the term of this Agreement, Consultant will hold in the strictest confidence, and take all reasonable precautions to prevent any unauthorized use or disclosure of Confidential Information, and Consultant will not (i) use the Confidential Information for any purpose whatsoever other than as necessary for the performance of the Services on behalf of the Company, or (ii) subject to Consultant's right to engage in Protected Activity (as defined below) disclose the Confidential Information to any third party without the prior written consent of an authorized representative of the Company, except that Consultant may disclose Confidential Information to the extent compelled by applicable law; *provided however*, prior to such disclosure, Consultant shall provide prior written notice to Company and seek a protective order or such similar confidential protection as may be available under applicable law. Consultant agrees that no ownership of Confidential Information is conveyed to the Consultant. Without limiting the foregoing, Consultant shall not use or disclose any Company property, intellectual property rights, trade secrets or other proprietary know-how of the Company to invent, author, make, develop, design, or otherwise enable others to invent, author, make, develop, or design identical or substantially similar designs as those developed under this Agreement for any third party. Consultant agrees that Consultant's obligations under this Section 3.B shall continue after the termination of this Agreement.

C. **Other Client Confidential Information.** Consultant agrees that Consultant will not improperly use, disclose, or induce the Company to use any proprietary information or trade secrets of any former or current employer of Consultant or other person or entity with which Consultant has an obligation to keep in confidence. Consultant also agrees that Consultant will not bring onto the Company's premises or transfer onto the Company's technology systems any unpublished document, proprietary information, or trade secrets belonging to any third party unless disclosure to, and use by, the Company has been consented to in writing by such third party.

D. **Third Party Confidential Information.** Consultant recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Consultant agrees that at all times during the term of this Agreement and thereafter, Consultant owes the Company and such third parties a duty to hold all such confidential or proprietary information in the strictest confidence and not to use it or to disclose it to any person, firm, corporation, or other third party except as necessary in carrying out the Services for the Company consistent with the Company's agreement with such third party.

#### 4. Ownership

A. **Assignment of Inventions.** Consultant agrees that all right, title, and interest in and to any copyrightable material, notes, records, drawings, designs, inventions, improvements, developments, discoveries, ideas, and trade secrets conceived, discovered, authored, invented, developed or reduced to practice by Consultant, solely or in collaboration with others, during the term of this Agreement and arising out of, or in connection with, performing the Services under this Agreement and any copyrights, patents, trade secrets, mask work rights or other intellectual property rights relating to the foregoing (collectively, "**Inventions**"), are the sole property of the Company. Consultant also agrees to promptly make full written disclosure to the Company of any Inventions and to deliver and assign (or cause to be assigned) and hereby irrevocably assigns fully to the Company all right, title and interest in and to the Inventions.

B. **Pre-Existing Materials.** Subject to Section 4.A, Consultant will provide the Company with prior written notice if, in the course of performing the Services, Consultant incorporates into any Invention or utilizes in the performance of the Services any invention, discovery, idea, original works of authorship, development, improvements, trade secret, concept, or other proprietary information or intellectual property right owned by Consultant or in which Consultant has an interest, prior to, or separate from, performing the Services under this Agreement ("**Prior Inventions**"), and the Company is hereby granted a nonexclusive, royalty-free, perpetual, irrevocable, transferable, worldwide license (with the right to grant and authorize sublicenses) to make, have made, use, import, offer for sale, sell, reproduce, distribute, modify, adapt, prepare derivative works of, display, perform, and otherwise exploit such Prior Inventions, without restriction, including, without limitation, as part of or in connection with such Invention, and to practice any method related thereto. Consultant will not incorporate any invention, discovery, idea, original works of authorship, development, improvements, trade secret, concept, or other proprietary information or intellectual property right owned by any third party into any Invention without Company's prior written permission.

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C. **Moral Rights.** Any assignment to the Company of Inventions includes all rights of attribution, paternity, integrity, modification, disclosure and withdrawal, and any other rights throughout the world that may be known as or referred to as “moral rights,” “artist’s rights,” “droit moral,” or the like (collectively, “**Moral Rights**”). To the extent that Moral Rights cannot be assigned under applicable law, Consultant hereby waives and agrees not to enforce any and all Moral Rights, including, without limitation, any limitation on subsequent modification, to the extent permitted under applicable law.

D. **Maintenance of Records.** Consultant agrees to keep and maintain adequate, current, accurate, and authentic written records of all Inventions made by Consultant (solely or jointly with others) during the term of this Agreement, and for a period of three (3) years thereafter. The records will be in the form of notes, sketches, drawings, electronic files, reports, or any other format that is customary in the industry and/or otherwise specified by the Company. Such records are and remain the sole property of the Company at all times and upon Company’s request, Consultant shall deliver (or cause to be delivered) the same.

E. **Further Assurances.** Consultant agrees to assist Company, or its designee, at the Company’s expense, in every proper way to secure the Company’s rights in Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments that the Company may deem necessary in order to apply for, register, obtain, maintain, defend, and enforce such rights, and in order to deliver, assign and convey to the Company, its successors, assigns and nominees the sole and exclusive right, title, and interest in and to all Inventions and testifying in a suit or other proceeding relating to such Inventions. Consultant further agrees that Consultant’s obligations under this Section 4.E shall continue after the termination of this Agreement.

F. **Attorney-in-Fact.** Consultant agrees that, if the Company is unable because of Consultant’s unavailability, dissolution, mental or physical incapacity, or for any other reason, to secure Consultant’s signature with respect to any Inventions, including, without limitation, for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright registrations covering the Inventions assigned to the Company in Section 4.A, then Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Consultant’s agent and attorney-in-fact, to act for and on Consultant’s behalf to execute and file any papers and oaths and to do all other lawfully permitted acts with respect to such Inventions to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by Consultant. This power of attorney shall be deemed coupled with an interest, and shall be irrevocable.

## 5. **Conflicting Obligations**

Consultant represents and warrants that Consultant has no agreements, relationships, or commitments to any other person or entity that conflict with Consultant’s obligations to the Company under this Agreement and/or Consultant’s ability to perform the Services for the Company. During the term of this Agreement, Consultant agrees not to enter into any agreement that conflicts with Consultant’s ability to perform the Services for the Company, as described in Exhibit A.

## 6. **Return of Company Materials**

Upon the termination of this Agreement, or upon Company’s earlier request, Consultant will immediately deliver to the Company, and will not keep in Consultant’s possession, recreate, or deliver to anyone else, any and all Company property, including, but not limited to, Confidential Information, tangible embodiments of the Inventions, all devices and equipment belonging to the Company, all electronically-stored information and passwords to access such property, those records maintained pursuant to Section 4.D and any reproductions of any of the foregoing items that Consultant may have in Consultant’s possession or control.

## 7. **Term and Termination**

A. **Term.** The term of this Agreement will begin on the Effective Date of this Agreement and, subject to mutually agreed upon extensions, will continue until the earlier of (i) the date that is six (6) months from the Effective Date; (ii) final completion of the Services or (iii) termination as provided in Section 7.B.

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B. **Termination.** The Company may terminate this Agreement upon giving Consultant fourteen (14) days prior written notice of such termination pursuant to Section 13.G of this Agreement. The Company may terminate this Agreement immediately and without prior notice if Consultant refuses to or is unable to perform the Services or is in breach of any material provision of this Agreement.

C. **Survival.** Upon any termination, all rights and duties of the Company and Consultant toward each other shall cease except:

(1) The Company will pay, within thirty (30) days after the effective date of termination, all amounts owing to Consultant for Services completed and accepted by the Company prior to the termination date and related reimbursable expenses, if any, submitted in accordance with the Company's policies and in accordance with the provisions of Section 1 of this Agreement; and

(2) Section 3 (Confidentiality), Section 4 (Ownership), Section 5.B (Conflicting Obligations), Section 6 (Return of Company Materials), Section 7 (Term and Termination), Section 8 (Independent Contractor; Benefits), Section 9 (Indemnification), Section 10 (Nonsolicitation), Section 11 (Limitation of Liability), Section 12 (Arbitration and Equitable Relief), and Section 13 (Miscellaneous) will survive termination or expiration of this Agreement in accordance with their terms.

## 8. Independent Contractor; Benefits

A. **Independent Contractor.** It is the express intention of the Company and Consultant that Consultant perform the Services as an independent contractor to the Company. Nothing in this Agreement shall in any way be construed to constitute Consultant as an agent, employee or representative of the Company. Without limiting the generality of the foregoing, Consultant is not authorized to bind the Company to any liability or obligation or to represent that Consultant has any such authority, with the exception of actions that Consultant may take on behalf of the Company during the time that he serves on the Company's Board of Directors (the "Board"). Consultant agrees to furnish (or reimburse the Company for) all tools and materials necessary to accomplish this Agreement. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement. Consultant agrees to and acknowledges the obligation to pay all self-employment and other taxes on such income.

B. **Benefits.** The Company and Consultant agree that Consultant will receive no Company-sponsored benefits from the Company where benefits include, but are not limited to, paid vacation, sick leave, medical insurance and 401k participation. If Consultant is reclassified by a state or federal agency or court as the Company's employee, Consultant will become a reclassified employee and will receive no benefits from the Company, except those mandated by state or federal law, even if by the terms of the Company's benefit plans or programs of the Company in effect at the time of such reclassification, Consultant would otherwise be eligible for such benefits.

## 9. Indemnification

Consultant agrees to indemnify and hold harmless the Company and its affiliates and their directors, officers and employees from and against all taxes, losses, damages, liabilities, costs and expenses, including attorneys' fees and other legal expenses, arising directly or indirectly from or in connection with (i) any negligent, reckless or intentionally wrongful act of Consultant or Consultant's assistants, employees, contractors or agents, (ii) a determination by a court or agency that the Consultant is not an independent contractor, (iii) any breach by the Consultant or Consultant's assistants, employees, contractors or agents of any of the covenants contained in this Agreement and corresponding Confidential Information and Invention Assignment Agreement, (iv) any failure of Consultant to perform the Services in accordance with all applicable laws, rules and regulations, or (v) any violation or claimed violation of a third party's rights resulting in whole or in part from the Company's use of the Inventions or other deliverables of Consultant under this Agreement.

## 10. Nonsolicitation

Consultant shall continue to abide by the terms of the Separation Agreement and Release between Consultant and the Company, dated July 2, 2018 (the "Separation Agreement"), including, but not limited to the nonsolicitation provisions contained in the Separation Agreement.

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## 11. Limitation of Liability

IN NO EVENT SHALL COMPANY BE LIABLE TO CONSULTANT OR TO ANY OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS, HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY, WHETHER BASED IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHER THEORY OF LIABILITY, REGARDLESS OF WHETHER COMPANY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY. IN NO EVENT SHALL COMPANY'S LIABILITY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT EXCEED THE AMOUNTS PAID BY COMPANY TO CONSULTANT UNDER THIS AGREEMENT FOR THE SERVICES, DELIVERABLES OR INVENTION GIVING RISE TO SUCH LIABILITY.

## 12. Arbitration and Equitable Relief

A. **Arbitration.** IN CONSIDERATION OF CONSULTANT'S CONSULTING RELATIONSHIP WITH THE COMPANY, ITS PROMISE TO ARBITRATE ALL DISPUTES RELATED TO CONSULTANT'S CONSULTING RELATIONSHIP WITH THE COMPANY AND CONSULTANT'S RECEIPT OF THE COMPENSATION AND OTHER BENEFITS PAID TO CONSULTANT BY COMPANY, AT PRESENT AND IN THE FUTURE, CONSULTANT AGREES THAT ANY AND ALL CONTROVERSIES, CLAIMS, OR DISPUTES WITH ANYONE (INCLUDING COMPANY AND ANY EMPLOYEE, OFFICER, DIRECTOR, SHAREHOLDER OR BENEFIT PLAN OF THE COMPANY IN THEIR CAPACITY AS SUCH OR OTHERWISE) ARISING OUT OF, RELATING TO, OR RESULTING FROM CONSULTANT'S CONSULTING OR OTHER RELATIONSHIP WITH THE COMPANY OR THE TERMINATION OF CONSULTANT'S CONSULTING OR OTHER RELATIONSHIP WITH THE COMPANY, INCLUDING ANY BREACH OF THIS AGREEMENT, SHALL BE SUBJECT TO BINDING ARBITRATION UNDER THE ARBITRATION RULES SET FORTH IN N.Y. CIV. PRAC. LAW SECTION 7501 ET SEQ. (THE "RULES") AND PURSUANT TO NEW JERSEY LAW. **CONSULTANT AGREES TO ARBITRATE ANY AND ALL COMMON LAW AND/OR STATUTORY CLAIMS UNDER LOCAL, STATE, OR FEDERAL LAW, INCLUDING, BUT NOT LIMITED TO, CLAIMS UNDER THE NEW JERSEY STATUTES, CLAIMS RELATING TO EMPLOYMENT OR INDEPENDENT CONTRACTOR STATUS, CLASSIFICATION, AND RELATIONSHIP WITH THE COMPANY, AND CLAIMS OF BREACH OF CONTRACT, EXCEPT AS PROHIBITED BY LAW. CONSULTANT ALSO AGREES TO ARBITRATE ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THE INTERPRETATION OR APPLICATION OF THIS AGREEMENT TO ARBITRATE, BUT NOT TO DISPUTES ABOUT THE ENFORCEABILITY, REVOCABILITY OR VALIDITY OF THIS AGREEMENT TO ARBITRATE OR ANY PORTION HEREOF OR THE CLASS, COLLECTIVE AND REPRESENTATIVE PROCEEDING WAIVER HEREIN. WITH RESPECT TO ALL SUCH CLAIMS AND DISPUTES THAT CONSULTANT AGREES TO ARBITRATE, CONSULTANT HEREBY EXPRESSLY AGREES TO WAIVE, AND DOES WAIVE, ANY RIGHT TO A TRIAL BY JURY. CONSULTANT FURTHER UNDERSTANDS THAT THIS AGREEMENT TO ARBITRATE ALSO APPLIES TO ANY DISPUTES THAT THE COMPANY MAY HAVE WITH CONSULTANT.**

B. **Procedure.** CONSULTANT AGREES THAT ANY ARBITRATION WILL BE ADMINISTERED BY JUDICIAL ARBITRATION & MEDIATION SERVICES, INC. ("JAMS") PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES (THE "**JAMS RULES**"), WHICH ARE AVAILABLE AT [HTTP://WWW.JAMSADR.COM/RULES-EMPLOYMENT-ARBITRATION/](http://www.jamsadr.com/rules-employment-arbitration/). CONSULTANT AGREES THAT THE USE OF THE JAMS RULES DOES NOT CHANGE CONSULTANT'S CLASSIFICATION TO THAT OF AN EMPLOYEE. TO THE CONTRARY, CONSULTANT REAFFIRMS THAT HE/SHE IS AN INDEPENDENT CONTRACTOR. CONSULTANT AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO DECIDE ANY MOTIONS BROUGHT BY ANY PARTY TO THE ARBITRATION, INCLUDING MOTIONS FOR SUMMARY JUDGMENT AND/OR ADJUDICATION AND MOTIONS TO DISMISS AND DEMURRERS, PRIOR TO ANY ARBITRATION HEARING. CONSULTANT AGREES THAT THE ARBITRATOR SHALL ISSUE A WRITTEN DECISION ON THE MERITS. CONSULTANT ALSO AGREES THAT THE ARBITRATOR SHALL HAVE THE POWER TO AWARD ANY REMEDIES, INCLUDING ATTORNEYS' FEES AND COSTS, AVAILABLE UNDER APPLICABLE LAW. CONSULTANT AGREES THAT THE ARBITRATOR SHALL ADMINISTER AND CONDUCT ANY ARBITRATION IN A MANNER CONSISTENT WITH THE RULES, INCLUDING N.J.S.A. 2A:24-1 ET SEQ., AND THAT THE ARBITRATOR SHALL APPLY SUBSTANTIVE AND PROCEDURAL NEW JERSEY LAW TO ANY DISPUTE OR CLAIM, WITHOUT REFERENCE TO RULES OF CONFLICT OF LAW. TO THE EXTENT THAT THE JAMS RULES CONFLICT WITH NEW JERSEY LAW, NEW JERSEY LAW SHALL TAKE PRECEDENCE. CONSULTANT FURTHER AGREES THAT ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE CONDUCTED IN MIDDLESEX COUNTY, NEW JERSEY.

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C. **Remedy.** EXCEPT AS PROVIDED BY THE RULES, ARBITRATION SHALL BE THE SOLE, EXCLUSIVE AND FINAL REMEDY FOR ANY DISPUTE BETWEEN CONSULTANT AND THE COMPANY. ACCORDINGLY, EXCEPT AS PROVIDED FOR BY THE RULES, NEITHER CONSULTANT NOR THE COMPANY WILL BE PERMITTED TO PURSUE COURT ACTION REGARDING CLAIMS THAT ARE SUBJECT TO ARBITRATION. NOTWITHSTANDING, THE ARBITRATOR WILL NOT HAVE THE AUTHORITY TO DISREGARD OR REFUSE TO ENFORCE ANY LAWFUL COMPANY POLICY, AND THE ARBITRATOR SHALL NOT ORDER OR REQUIRE THE COMPANY TO ADOPT A POLICY NOT OTHERWISE REQUIRED BY LAW WHICH THE COMPANY HAS NOT ADOPTED.

D. **Availability of Injunctive Relief.** EITHER PARTY MAY ALSO PETITION THE COURT FOR INJUNCTIVE RELIEF WHERE EITHER PARTY ALLEGES OR CLAIMS A VIOLATION OF ANY AGREEMENT REGARDING TRADE SECRETS, OR CONFIDENTIAL INFORMATION, OR A BREACH OF ANY RESTRICTIVE COVENANT. IN THE EVENT EITHER PARTY SEEKS INJUNCTIVE RELIEF, THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER REASONABLE COSTS AND ATTORNEYS' FEES.

E. **Administrative Relief.** CONSULTANT UNDERSTANDS THAT THIS AGREEMENT DOES NOT PROHIBIT CONSULTANT FROM PURSUING AN ADMINISTRATIVE CLAIM WITH A LOCAL, STATE OR FEDERAL ADMINISTRATIVE BODY SUCH AS THE DIVISION OF HUMAN RIGHTS, THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, THE NATIONAL LABOR RELATIONS BOARD, OR THE WORKERS' COMPENSATION BOARD. THIS AGREEMENT DOES, HOWEVER, PRECLUDE CONSULTANT FROM PURSUING COURT ACTION REGARDING ANY SUCH CLAIM, EXCEPT AS PERMITTED BY LAW.

F. **Voluntary Nature of Agreement.** CONSULTANT ACKNOWLEDGES AND AGREES THAT CONSULTANT IS EXECUTING THIS AGREEMENT VOLUNTARILY AND WITHOUT ANY DURESS OR UNDUE INFLUENCE BY THE COMPANY OR ANYONE ELSE. CONSULTANT FURTHER ACKNOWLEDGES AND AGREES THAT CONSULTANT HAS CAREFULLY READ THIS AGREEMENT AND THAT CONSULTANT HAS ASKED ANY QUESTIONS NEEDED FOR CONSULTANT TO UNDERSTAND THE TERMS, CONSEQUENCES AND BINDING EFFECT OF THIS AGREEMENT AND FULLY UNDERSTAND IT, INCLUDING THAT **CONSULTANT IS WAIVING CONSULTANT'S RIGHT TO A JURY TRIAL**. FINALLY, CONSULTANT AGREES THAT CONSULTANT HAS BEEN PROVIDED AN OPPORTUNITY TO SEEK THE ADVICE OF AN ATTORNEY OF CONSULTANT'S CHOICE BEFORE SIGNING THIS AGREEMENT.

### 13. Miscellaneous

A. **Governing Law; Consent to Personal Jurisdiction.** This Agreement shall be governed by the laws of the State of New Jersey, without regard to the conflicts of law provisions of any jurisdiction. To the extent that any lawsuit is permitted under this Agreement, the Parties hereby expressly consent to the personal and exclusive jurisdiction and venue of the state and federal courts located in New Jersey.

B. **Assignability.** This Agreement will be binding upon Consultant's heirs, executors, assigns, administrators, and other legal representatives, and will be for the benefit of the Company, its successors, and its assigns. There are no intended third-party beneficiaries to this Agreement, except as expressly stated. Except as may otherwise be provided in this Agreement, Consultant may not sell, assign or delegate any rights or obligations under this Agreement. Notwithstanding anything to the contrary herein, Company may assign this Agreement and its rights and obligations under this Agreement to any successor to all or substantially all of Company's relevant assets, whether by merger, consolidation, reorganization, reincorporation, sale of assets or stock, change of control or otherwise.

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C. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter herein and supersedes all prior written and oral agreements, discussions, or representations between the Parties, with the exception of the Separation Agreement, the Employee Proprietary Information, Inventions, Non-Solicitation and Non-Competition Agreement between the Company and Consultant, dated February 22, 2016, any provision of the Indemnity Agreement that applies to Consultant's position as a director on the Board, and any agreements between the Company and Consultant relating to stock or stock options or Consultant's position as a director on the Board. Consultant represents and warrants that Consultant is not relying on any statement or representation not contained in this Agreement. To the extent any terms set forth in any exhibit or schedule conflict with the terms set forth in this Agreement, the terms of this Agreement shall control unless otherwise expressly agreed by the Parties in such exhibit or schedule.

D. **Headings.** Headings are used in this Agreement for reference only and shall not be considered when interpreting this Agreement.

E. **Severability.** If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect.

F. **Modification, Waiver.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in a writing signed by the Parties. Waiver by the Company of a breach of any provision of this Agreement will not operate as a waiver of any other or subsequent breach.

G. **Notices.** All notices, requests, demands and other communications called for under this Agreement shall be in writing and shall be delivered via e-mail, personally by hand or by courier, mailed by United States first-class mail, postage prepaid, or sent by facsimile directed to the Party to be notified at the address or facsimile number indicated for such Party on the signature page to this Agreement, or at such other address or facsimile number as such Party may designate by ten (10) days' advance written notice to the other Parties hereto. All such notices and other communications shall be deemed given upon personal delivery, three (3) days after the date of mailing, or upon confirmation of facsimile transfer or e-mail. Notices sent via e-mail under this Section shall be sent to either the e-mail address in this Agreement, or for e-mails sent by the Company to Executive, to the last e-mail address on file with the Company.

H. **Attorneys' Fees.** In any court action at law or equity that is brought by one of the Parties to this Agreement to enforce or interpret the provisions of this Agreement, the prevailing Party will be entitled to reasonable attorneys' fees, in addition to any other relief to which that Party may be entitled.

I. **Signatures.** This Agreement may be signed in two counterparts, each of which shall be deemed an original, with the same force and effectiveness as though executed in a single document.

J. **Protected Activity Not Prohibited.** Consultant understands that nothing in this Agreement shall in any way limit or prohibit Consultant from engaging in any Protected Activity. For purposes of this Agreement, "**Protected Activity**" shall mean filing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission ("**Government Agencies**"). Consultant understands that in connection with such Protected Activity, Consultant is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Consultant agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information to any parties other than the Government Agencies. Consultant further understands that "**Protected Activity**" does not include the disclosure of any Company attorney-client privileged communications. Pursuant to the Defend Trade Secrets Act of 2016, Consultant is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

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IN WITNESS WHEREOF, the Parties hereto have executed this Consulting Agreement as of the date first written above.

**CONSULTANT**

**ONCOBIOLOGICS, INC.**

By: /s/ Pankaj Mohan

By: /s/ Lawrence A. Kenyon

Name: Pankaj Mohan, Ph.D.

Name: Lawrence A. Kenyon

Title: Consultant

Title: CFO

Address: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Email: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_

## EXHIBIT A

### SERVICES AND COMPENSATION

1. **Contact.** Consultant's principal Company contact:

Name:	Lawrence A. Kenyon
Title:	CFO
Email:	lawrencekenyon@OncoBiologics.com

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2. **Services.** The Services will include, but will not be limited to, the following:

- Providing advice and guidance on the ONS-5010 development program

Consultant will perform Services for the Company on a project-by-project basis, and each project shall be mutually agreed upon between Consultant and the Company and attached to this **Exhibit A** as successively numbered Schedule "A"s (e.g., Schedule A-1, Schedule A-2, etc.) (each a "**Project**"). Each Project shall contain at a minimum a detailed description of the Services to be performed and any deliverables to be provided, and together with this Agreement (but separate and apart from any other Project), shall collectively constitute the entire agreement for such Project.

3. **Compensation.**

A. During the Term, the Company will pay Consultant \$20,416.67 per month.

B. The Company will reimburse Consultant, in accordance with Company policy, for all reasonable expenses incurred by Consultant in performing the Services pursuant to this Agreement, if Consultant receives written consent from an authorized agent of the Company prior to incurring such expenses and submits receipts for such expenses to the Company in accordance with Company policy.

The Company will make payment of the monthly fee on or before the 1<sup>st</sup> day of each month, one month in arrears. In order to help prevent adverse tax consequences to Consultant under Section 409A (as defined below), in no event will any payment under Section 3.A. of this Exhibit be made later than the later of (1) March 15<sup>th</sup> of the calendar year following the calendar year in which such payment was earned, or (2) the 15th day of the third (3<sup>rd</sup>) month following the end of the Company's fiscal year in which such payment was earned.

C. All payments and benefits provided for under this Agreement are intended to be exempt from or otherwise comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance thereunder (together, "**Section 409A**"), so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. In no event will the Company reimburse Consultant for any taxes that may be imposed on Consultant as a result of Section 409A.

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This **Exhibit A** is accepted and agreed upon as of July 2, 2018.

**CONSULTANT**

By: /s/ Pankaj Mohan

Name: /s/ Pankaj Mohan, Ph.D.

Title: Consultant

**ONCOBIOLOGICS, INC.**

By: /s/ Lawrence A. Kenyon

Name: Lawrence A. Kenyon

Title: CFO

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## CERTIFICATIONS

I, Lawrence A. Kenyon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oncobiologics, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my 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) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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. I have disclosed, based on my 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 14, 2018

By: /s/ Lawrence A. Kenyon

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Lawrence A. Kenyon  
Chief Executive Officer and Chief Financial Officer  
(Principal Executive, Financial, and Accounting Officer)

**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 Quarterly Report on Form 10-Q of Oncobiologics, Inc. (the “Company”) for the period ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (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.

Date: August 14, 2018

By           /s/ Lawrence A. Kenyon            
Lawrence A. Kenyon  
Chief Executive Officer and Chief Financial Officer

*“This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Oncobiologics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.”*

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