

DYNAVAX TECHNOLOGIES CORP
Form PRE 14A
April 11, 2017

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

DYNAVAX TECHNOLOGIES CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

8. Filing Party:

9. Date Filed:

DYNAVAX TECHNOLOGIES CORPORATION

2929 Seventh Street, Suite 100

Berkeley, California 94710

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

May 31, 2017

Dear Stockholder:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Dynavax Technologies Corporation, a Delaware corporation, or the Company. The meeting will be held on May 31, 2017, at 9:00 a.m. Pacific Time, at the Company's executive offices at 2929 Seventh Street, Suite 100, Berkeley, California 94710 for the following purposes:

1. To elect our nominees for Class II directors to hold office until the 2020 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified.
2. To amend and restate the Dynavax Technologies Corporation 2011 Equity Incentive Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the plan by 1,600,000.
3. To approve an amendment to the Company's Sixth Amended and Restated Certificate of Incorporation, as amended, to increase the authorized number of shares of common stock from 69,500,000 to 139,000,000.
4. To approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the Proxy Statement accompanying this Notice.
5. To indicate, on an advisory basis, the preferred frequency of stockholder advisory votes on the compensation of the Company's named executive officers.
6. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2017.
7. To conduct any other business properly brought before the meeting or any adjournment(s) thereof.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the 2017 Annual Meeting is April 6, 2017. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to Be Held at 9:00 a.m., Pacific Time, on May 31, 2017 at 2929 Seventh Street, Suite 100, Berkeley, California 94710.

The proxy statement and annual report to stockholders

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are available at <http://investors.dynavax.com/annuals-proxies.cfm>.

The Board of Directors recommends that you vote FOR the proposals identified above.

By Order of the Board of Directors

Steven N. Gersten
Secretary

Berkeley, California

April , 2017

Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

DYNAVAX TECHNOLOGIES CORPORATION

2929 Seventh Street, Suite 100

Berkeley, California 94710

PROXY STATEMENT

FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

May 31, 2017

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors, or Board, of Dynavax Technologies Corporation, or the Company or Dynavax, or we or us, is soliciting your proxy to vote at the 2017 Annual Meeting of Stockholders, or Annual Meeting. You are invited to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We intend to mail this proxy statement and accompanying proxy card on or about April 26, 2017, to all stockholders of record entitled to vote at the Annual Meeting.

How do I attend the Annual Meeting?

The Annual Meeting will be held on May 31, 2017 at 9:00 a.m. Pacific Time, at our executive offices at 2929 Seventh Street, Suite 100, Berkeley, California 94710. Directions to the Annual Meeting may be found at <http://www.dynavax.com/contact>. Information on how to vote in person at the Annual Meeting is discussed below. For admission to the Annual Meeting, stockholders may be asked to present proof of identification and a statement from their bank, broker or other nominee reflecting their beneficial ownership of our common stock as of April 6, 2017, as well as a proxy from the record holder to the stockholder.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on April 6, 2017, will be entitled to vote at the Annual Meeting. On this record date, there were 46,255,134 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on April 6, 2017, your shares were registered directly in your name with our transfer agent, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on April 6, 2017, your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

We are asking you to vote on six proposals:

1. To elect our nominees for Class II directors to hold office until the 2020 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified.
2. To amend and restate the Dynavax Technologies Corporation 2011 Equity Incentive Plan (the Amended 2011 Plan) to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the Amended 2011 Plan by 1,600,000.
3. To approve an amendment to the Company s Sixth Amended and Restated Certificate of Incorporation, as amended (the Charter), to increase the authorized number of shares of common stock from 69,500,000 to 139,000,000.
4. To approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed in this proxy statement.
5. To indicate, on an advisory basis, the preferred frequency of stockholder advisory votes on the compensation of the Company s named executive officers.
6. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2017.

What if another matter is properly brought before the Annual Meeting?

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with her or his best judgment.

How do I vote?

You may either vote For all the nominees to the Board or you may Withhold your vote for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive. Directions to the Annual Meeting may be found at <http://www.dynavax.com/contact>.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

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To vote using the telephone, simply follow the instructions on the enclosed proxy card. Voting by telephone has the same effect as voting by mail. You may vote by telephone until 11:59 p.m., Eastern Time, May 30, 2017.

To vote using the internet, simply follow the instructions on the enclosed proxy card. You may vote by using the internet until 11:59 p.m., Eastern Time, May 30, 2017.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Dynavax. Simply complete and mail the proxy card to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

We provide internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of April 6, 2017.

What happens if I do not vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the internet or in person at the Annual Meeting, your shares will not be voted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the applicable stock exchange deems the particular proposal to be a routine matter. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the NYSE, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation and on the frequency of stockholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposals 1, 2, 3, 4 or 5 without your instructions, but may vote your shares on Proposal 6.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted:

1. Proposal 1: For election of our nominees for Class II directors.
2. Proposal 2: For the approval of an amendment and restatement of the Amended 2011 Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the Amended 2011 Plan by 1,600,000;
3. Proposal 3: For the approval of an amendment to the Company's Charter to increase the authorized number of shares of common stock from 69,500,000 to 139,000,000;
4. Proposal 4: For the advisory approval of executive compensation;

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5. Proposal 5: For one year as the preferred frequency of advisory votes to approve executive compensation; and

6. Proposal 6: For ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2017.

If any other matter is properly presented at the Annual Meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to mailing these proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a timely written notice that you are revoking your proxy to Dynavax Technologies Corporation, Attention: Corporate Secretary, 2929 Seventh Street, Suite 100, Berkeley, California 94710.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy. Your proxy card with the most recent date is the one that will be counted.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's Annual Meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by December 27, 2017 to Dynavax Technologies Corporation, Attention: Corporate Secretary, 2929 Seventh Street, Suite 100, Berkeley, California 94710. However, if our 2018 Annual Meeting of Stockholders is not held between May 1, 2018, and June 30, 2018, then the deadline will be a reasonable time before we begin to print and send our proxy materials. If you wish to submit a proposal (including a director nomination) that is not to be included in next year's proxy materials or nominate a director, you must do so no later than April 1, 2018, and no earlier than March 2, 2018. However, if our 2017 Annual Meeting of Stockholders is not held between May 1, 2018, and June 30, 2018, then you must submit your proposal (or director nomination) not less than 60 days nor more than 90 days prior to the time we send our proxy materials.

How many votes are needed to approve each proposal?

Proposal 1, to elect our nominees for Class II directors, the three nominees receiving the most For votes from the holders of shares present in person or represented by proxy and entitled to vote on the election of directors will be elected. Only votes For or Withhold will affect the outcome. If a nominee receives a greater number of Withhold votes than For votes, such nominee will submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee in accordance with our Majority Vote Policy discussed in more detail on page 53 of this proxy statement.

Proposal 2, to amend and restate the Amended 2011 Plan to, among other things, increase the aggregate number of shares of common stock authorized for issuance under the plan by 1,600,000, must receive For votes from the holders of a majority of shares present and cast either in person or by proxy at the meeting. If you return your proxy and select Abstain, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 3, to amend the Company's Charter to increase the authorized number of shares of common stock from 69,500,000 to 139,000,000, must receive For votes from the holders, either in person or by proxy, of a majority of the outstanding shares. If you return your proxy and select Abstain, it will have the same effect as an Against vote. Broker non-votes will have the same effect as Against votes.

Proposal 4, advisory approval of the compensation of the Company's named executive officers, will be considered to be approved if it receives For votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote on the matter. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 5, the advisory vote on the frequency of stockholder advisory votes on executive compensation, the frequency receiving the votes from the holders of a majority of shares present and cast either in person or by proxy at the meeting will be considered the frequency preferred by the stockholders. If you Abstain from voting, your abstention will be counted towards the vote total, but will not be counted as a vote in favor of any of the frequency options, and thus will have the effect of reducing the likelihood that any frequency receives a majority vote. Broker non-votes will have no effect.

Proposal 6, to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for our fiscal year ending December 31, 2017, must receive For votes from the holders of a majority of shares present in person or by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. As Proposal 6 is considered a routine matter, we do not expect to receive any broker non-votes.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid Annual Meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present at the Annual Meeting in person or represented by proxy. On the record date, there were 46,255,134 shares outstanding and entitled to vote.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the Annual Meeting in person or represented by proxy may adjourn the Annual Meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a current report on Form 8-K within four business days following the voting. If we are unable to obtain final results in that time, we will announce the preliminary results and subsequently file a second current report on Form 8-K with the final results.

What proxy materials are available on the internet?

The 2017 proxy statement and 2016 Annual Report on Form 10-K are available at <http://investors.dynavax.com/annuals-proxies.cfm>.

Householding of Proxy Materials

The Securities and Exchange Commission, or SEC, has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single set of Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies. A number of brokers with account holders who are Dynavax stockholders will be householding our proxy materials. A single set of Annual Meeting materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate set of Annual Meeting materials, please notify your broker and we will promptly deliver to you a separate set of our Annual Meeting materials. Direct your written request to Dynavax Technologies Corporation, Attention: Corporate Secretary, 2929 Seventh Street, Suite 100, Berkeley, California 94710, (510) 848-5100. Stockholders who currently receive multiple copies of the Annual Meeting materials at their addresses and would like to request householding of their communications should contact their brokers.

PROPOSAL 1**ELECTION OF DIRECTORS**

Our Board is divided into three classes, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

Our Board presently has nine members. There are three directors in the class whose term of office expires in 2017: Daniel L. Kisner, M.D., Natale (Nat) Ricciardi and Stanley A. Plotkin, M.D., each of whom is a nominee for director and currently a director of the Company. Dr. Kisner, Mr. Ricciardi and Dr. Plotkin were previously elected by the stockholders in 2014. If each nominee is elected at the Annual Meeting, each of these nominees will serve until the 2020 Annual Meeting and until his successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal. There were 7 directors in attendance at our 2016 Annual Meeting.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The three nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. Although the election of directors at the Annual Meeting is uncontested and directors are elected by a plurality of votes cast, and we therefore anticipate that each of the named nominees for director will be elected at the Annual Meeting, under our Corporate Governance Guidelines, any nominee for director is required to submit an offer of resignation for consideration by the Nominating and Corporate Governance Committee if such nominee for director (in an uncontested election) receives a greater number of Withhold votes than For votes. In such case, the Nominating and Corporate Governance Committee will then consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. For more information on this policy see the section entitled Corporate Governance. If any nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee proposed by our Board. Each person nominated for election has agreed to serve if elected. Our Board has no reason to believe that any nominee will be unable to serve.

THE BOARD OF DIRECTORS RECOMMENDS**A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

Set forth below is certain biographical information as of April 6, 2017, for the nominees and each person whose term as a director will continue after the Annual Meeting.

Name	Age	Position
Arnold L. Oronsky, Ph.D.	76	Chairperson of the Board
Francis R. Cano, Ph.D.	72	Director
Dennis A. Carson, M.D.	70	Director
Laura Brege	59	Director
Eddie Gray	58	Chief Executive Officer (CEO) and Director
Daniel L. Kisner, M.D.	70	Director
Peggy V. Phillips	63	Director
Stanley A. Plotkin, M.D.	84	Director
Natale Ricciardi	68	Director

CLASS II DIRECTORS NOMINEES

Daniel L. Kisner, M.D.

Dr. Kisner has been a member of our Board since July 2010. From 2003 to 2010, Dr. Kisner served as a partner at Aberdare Ventures and prior to that as President and CEO of Caliper Technologies, leading its evolution from a start-up focused on microfluidic lab-on-chip technology to a publicly traded, commercial organization. Prior to Caliper, he was the President and Chief Operating Officer of Isis Pharmaceuticals, Inc., a biomedical pharmaceutical company. Previously, Dr. Kisner was Division Vice President of Pharmaceutical Development for Abbott Laboratories and Vice President of Clinical Research and Development at SmithKline Beecham Pharmaceuticals. In addition, he held a tenured position in the Division of Oncology at the University of Texas, San Antonio School of Medicine and is certified by the American Board of Internal Medicine in Internal Medicine and Medical Oncology. Additionally, he is currently serving on the boards of Conatus Pharmaceuticals, Inc., a biotechnology company, Nativis Inc., a medical device company, and Zynerba Pharmaceuticals, a biotechnology company. Dr. Kisner previously served as Chairman of the board for Tekmira Pharmaceuticals, a biopharmaceutical company, until March 2015. Our Board believes that Dr. Kisner's background with larger, complex technology-based organizations as well as his significant experience with corporate transactions, including investing in venture-backed life science companies provides the Board with insights for setting strategy of the Company and qualifies him to be nominated as a director. He holds a B.A. from Rutgers University and an M.D. from Georgetown University.

Natale (Nat) Ricciardi

Mr. Ricciardi has been a member of our Board since June 2013. Mr. Ricciardi spent his entire 39-year career at Pfizer Inc., a biopharmaceutical company, retiring in 2011 as a member of the Pfizer Executive Leadership Team. While holding the positions of President, Pfizer Global Manufacturing, and Senior Vice President of Pfizer Inc. from 2004 until 2011, Mr. Ricciardi was directly responsible for all of Pfizer's internal and external supply organization, a global enterprise that grew to more than 100 manufacturing facilities supplying small and large molecule pharmaceuticals, vaccines, consumer, nutrition and animal health products. Mr. Ricciardi maintained responsibility for global manufacturing activities from 2004 through 2011. Previously, from 1999 to 2004, he had oversight for Pfizer's U.S. manufacturing operations and from 1995 to 1999 was Vice President of Manufacturing for Pfizer's Animal Health Group. Mr. Ricciardi is currently a member of the board of directors of Asterias Biotherapeutics, Inc., a biotechnology company, Rapid Micro Biosystems, Inc., a healthcare environmental technology company, and Prestige Brands Holdings, Inc., a healthcare and household product company. Mr. Ricciardi also serves as a member of the board of directors of the 21st Century Foundation of The City College of New York and as a member of the Advisory Board of HealthCare Royalty Partners. Our Board believes Mr. Ricciardi's 39-year career at Pfizer Inc., a leading pharmaceutical company, including as a member of the Pfizer Executive Leadership Team and direct responsibility for all of Pfizer's internal supply organization, including global manufacturing, provides the Board with insights for reviewing the operations of the Company and qualifies him to be nominated as a director. Mr. Ricciardi earned a degree in Chemical Engineering from The City College of New York and an MBA in Finance and International Business from Fordham University.

Stanley A. Plotkin, M.D.

Dr. Plotkin has been a member of our Board since August 2005. Dr. Plotkin is Emeritus Professor of the University of Pennsylvania. Until 1991, he was Professor of Pediatrics and Microbiology at the University of Pennsylvania and Professor of Virology at the Wistar Institute and, at the same time, Director of Infectious Diseases and Senior Physician at the Children's Hospital of Philadelphia. In 1991, Dr. Plotkin left the University to join the vaccine manufacturer Pasteur-Mérieux-Connaught (today, Sanofi Pasteur), where for seven years he was Medical and Scientific Director, based at Marnes-la-Coquette, outside Paris. Until 2009, he was an Executive Advisor to Sanofi Pasteur. The Board believes that Dr. Plotkin's significant experience in development and manufacturing of vaccines provides significant insights for the strategy of the Company with respect to key technical and operational issues in vaccine development and qualifies him to be nominated as a director. Dr. Plotkin's career included an

internship at Cleveland Metropolitan General Hospital, residency in pediatrics at the Children's Hospital of Philadelphia and the Hospital for Sick Children in London and three years in the Epidemic Intelligence Service of the Centers for Disease Control of the U.S. Public Health Service. He has been chairman of the Infectious Diseases Committee and the AIDS Task Force of the American Academy of Pediatrics, liaison member of the Advisory Committee on Immunization Practices and Chairman of the Microbiology and Infectious Diseases Research Committee of the National Institutes of Health. Dr. Plotkin received the Bruce Medal in Preventive Medicine of the American College of Physicians, the Distinguished Physician Award of the Pediatric Infectious Diseases Society, the Clinical Virology Award of the Pan American Society for Clinical Virology, the Richard Day Master Teacher in Pediatrics Award of the Alumni Association of New York Downstate Medical College, and the Marshall Award of the European Society for Pediatric Diseases. In June 1998, he received the French Legion of Honor Medal; in June 2001, the Distinguished Alumnus Award of the Children's Hospital of Philadelphia; in September 2006, the gold medal from the same hospital; in May 2002, the Sabin Gold Medal; in September 2004, the Fleming (Bristol) Award of the Infectious Diseases Society of America; in May 2007, the Medal of the Fondation Mérieux; and in 2009, the Finland Award of the National Foundation for Infectious Diseases and the Hilleman Award of the American Society for Microbiology. He was elected to the Institute of Medicine of the National Academy of Sciences in 2005 and to the French Academy of Medicine in 2007. Dr. Plotkin holds honorary doctoral degrees from the University of Rouen (France) and the Complutense University of Madrid (Spain). Named lectures in his honor have been established at the Pediatric Academic Societies annual meeting and at the International Advanced Vaccinology Course in Annecy, France. His bibliography includes nearly 700 articles and he has edited several books, including the standard textbook on vaccines, now in its 5th edition. He developed the rubella vaccine now in standard use throughout the world, is codeveloper of the newly licensed pentavalent rotavirus vaccine, and has worked extensively on the development and application of other vaccines, including anthrax, oral polio, rabies, varicella and cytomegalovirus. Dr. Plotkin received a B.A. degree from New York University and an M.D. from the State University of New York Medical School in Brooklyn.

CLASS I DIRECTORS CONTINUING IN OFFICE UNTIL THE 2019 ANNUAL MEETING

Dennis A. Carson, M.D.

Dr. Carson has been a member of our Board since December 1997. Dr. Carson is a noted researcher in the fields of autoimmune and immunodeficiency diseases and is co-discoverer with Dr. Eyal Raz of the immunostimulatory sequences (ISS) that form the basis of our technology. He has played key roles in the founding of Vical, Inc., a gene therapy company, IDEC Pharmaceuticals, a biopharmaceutical company, and Triangle Pharmaceuticals, a pharmaceutical company. Dr. Carson is former director of the Rebecca and John Moores Cancer Center at the University of California, San Diego and has been a professor in the Department of Medicine at the University of California, San Diego since 1990. The Board believes that Dr. Carson's significant experience in research and development provides important insights for the strategy of the Company, particularly with regard to scientific opportunities for development by the Company, and qualifies Dr. Carson to serve as a director. He is a member of the National Academy of Sciences, the American Academy of Arts and Sciences, and the Institute of Medicine, as well as the American Association for Cancer Research, the American Society for Clinical Investigation, the American Society of Hematology and the Association of American Physicians. He received his M.D. from Columbia University and his B.A. from Haverford College. Dr. Carson completed his residency in internal medicine and a postdoctoral fellowship at the University of California, San Diego.

Eddie Gray CEO and Director

Mr. Gray joined Dynavax as Chief Executive Officer and was appointed to our Board in May 2013. Most recently, Mr. Gray served as the President of Pharmaceuticals Europe and a member of the corporate executive team at GlaxoSmithKline plc (GSK) from 2008 until 2013 and as Senior Vice President and General Manager of Pharmaceuticals UK from 2001 through 2007. Prior to the formation of GSK, Mr. Gray was with SmithKline Beecham from 1988 through 2000 serving in various positions of increasing responsibility, including Vice President and Director of Anti-Infectives Marketing in the U.S., Vice President and Director of the Vaccines Business Unit in the U.S., and Vice President and General Manager of Pharmaceuticals in Canada. Our Board believes that

Mr. Gray's more than 30 years of pharmaceutical industry experience, including, most recently, as the President of Pharmaceuticals Europe at GSK, a leading pharmaceutical company, and other senior management roles at GSK and its predecessor, where he was responsible for the launch, commercialization and strategic development of vaccines and other products, enables him to provide commercial and strategic leadership to the Company and qualifies Mr. Gray to serve as a director. Mr. Gray received a Bachelor of Science degree in Chemistry and Management Studies from the University of London and an MBA from the Cranfield School of Management in the UK.

Laura Brege

Ms. Brege has been a member of our Board since February 2015. Since September 2015, she has served as managing director of Cervantes Life Science Partners, LLC, a consulting firm providing integrated business solutions to life sciences companies. She has over 20 years of executive management experience in the pharmaceutical, biotechnology and venture capital industries. From September 2012 to July 2015, Ms. Brege was President and Chief Executive Officer of Nodality Inc., a life sciences company focused on innovative personalized medicine. Prior to joining Nodality in 2012, Ms. Brege held several senior-level positions at Onyx Pharmaceuticals, Inc., a biopharmaceutical and biotherapeutics company, from 2006 until 2012, including positions as Executive Vice President and Chief Operating Officer. While at Onyx she led multiple functions, including commercialization, strategic planning, corporate development, and medical, scientific and government affairs. Prior to Onyx, Ms. Brege was a General Partner at Red Rock Capital Management, a venture capital firm specializing in early stage financing for technology companies. Previously Ms. Brege was Senior Vice President and Chief Financial Officer at COR Therapeutics, where she helped build the company from an early stage R&D company through commercial launch of a successful cardiovascular product. Earlier in her career, she served as Chief Financial Officer at Flextronics, Inc. and Treasurer of The Cooper Companies. She serves on the board of directors of the following public pharmaceutical companies: Acadia Pharmaceuticals, Inc., Aratana Therapeutics, Inc., Pacira Pharmaceuticals, Inc. and Portola Pharmaceuticals, Inc. During the past five years, Ms. Brege also served on the boards of directors of Angiotech Pharmaceuticals, Inc., a biotechnology company, and Delcath Systems, Inc., a pharmaceutical company. Our Board believes that Ms. Brege's background in finance and management of biotechnology companies and her participation as a member of the audit committees of other public companies provides important strategic insights for the Board in setting strategy and reviewing the operations of the Company, as well as qualifies Ms. Brege to serve on the Company's Audit Committee. Ms. Brege attended all Board and Audit Committee meetings of the Company and all meetings of the boards and committees on which she sits at other companies during the past year. Ms. Brege earned her undergraduate degrees from Ohio University (Honors Tutorial College) and her MBA degree from the University of Chicago.

CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL THE 2018 ANNUAL MEETING

Arnold L. Oronsky, Ph.D.

Dr. Oronsky has been a member of our Board since November 1996 and became Chairman in February 2006. Dr. Oronsky has been a managing director with InterWest Partners, a venture capital firm, since 2009. Prior to joining InterWest Partners in 1994, Dr. Oronsky was Vice President of Discovery Research for the Lederle Laboratories division of American Cyanamid, a pharmaceutical company. From 1973 until 1976, Dr. Oronsky was head of the inflammation, allergy and immunology research program at Ciba-Geigy Pharmaceutical Company. Dr. Oronsky also serves as a senior lecturer in the Department of Medicine at The Johns Hopkins Medical School. Dr. Oronsky has won numerous grants and awards and has published over 125 scientific articles. Dr. Oronsky currently serves on the boards of directors of Tesaro, Inc., an oncology-focused biopharmaceutical company, and Applied Genetic Technologies Corporation, a biotechnology company. Dr. Oronsky also served on the board of directors of MacroGenics, Inc., a biopharmaceutical company, from 2000 to 2014. The Board believes that Dr. Oronsky's significant experience in growing and developing life sciences companies, particularly in the immunology area, provides significant leadership and insights for the Board in defining the strategy of the Company and qualifies him to serve as a director. He received his Ph.D. from Columbia University, College of Physicians and Surgeons and his A.B. from New York University.

Francis R. Cano, Ph.D.

Dr. Cano was appointed to our Board in November 2009. Dr. Cano has been President and Founder of Cano Biotech Corp., a consulting firm focusing on the vaccine business, since 1996 and also serves on the board of Biomerica, Inc., a developer and manufacturer of diagnostic products. Previously, Dr. Cano served on the board of Arbor Vita Corporation, a biopharmaceutical company. From 1993 to 1996, Dr. Cano was President and Chief Operating Officer for Aviron, a biopharmaceutical company, which was later acquired by MedImmune in 2001. As a Co-Founder of Aviron, he completed two rounds of venture financing, a licensing agreement with SmithKline Biologicals and in-licensed Flu-Mist influenza vaccine from the National Institutes of Health. For 21 years, Dr. Cano worked with the Lederle Laboratories Division of American Cyanamid, including as its Vice President and General Manager of the Biologicals unit. The Board believes that Dr. Cano's experience as a founder of and advisor to established vaccine businesses provides significant insights for the strategy of the Company with respect to key technical and operational issues in vaccine development and qualifies him to serve as a director. He earned a Ph.D. in Microbiology from Pennsylvania State University, served as a Research Associate at Rutgers Institute of Microbiology, and holds a M.S. in Microbiology and a B.S. in Biology from St. John's University.

Peggy V. Phillips

Ms. Phillips has been a member of our Board since August 2006. Ms. Phillips served on the board of directors of Tekmira Pharmaceuticals from February 2014 to March 2015. Ms. Phillips served on the board of directors of Portola Pharmaceuticals, a biopharmaceutical company, from 2006 to 2013. From 2003 until 2011, Ms. Phillips served on the board of the Naval Academy Foundation. From 1996 until 2002, she served on the board of directors of Immunex Corporation, a biotechnology company, and, from 1999, she served as the Chief Operating Officer until the company was acquired by Amgen in 2002. During her career at Immunex, she held positions of increasing responsibility in research, development, manufacturing, sales and marketing. As Senior Vice President for Pharmaceutical Development and General Manager for Enbrel® from 1994 until 1998, she was responsible for clinical development and regulatory affairs as well as the launch, sales and marketing of the product. Prior to joining Immunex, Ms. Phillips worked at Miles Laboratories. The Board believes that Ms. Phillips provides significant experience in development and commercialization of biotechnology products. Her background and experience with larger, complex organizations provides significant operational and strategic insights in assessing the strategy of the Company and qualifies her to serve as a director. Ms. Phillips holds a B.S. and a M.S. in microbiology from the University of Idaho.

PROPOSAL 2

APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE 2011 EQUITY INCENTIVE PLAN

The Board is requesting stockholder approval of an amendment and restatement of the Dynavax Technologies Corporation 2011 Equity Incentive Plan (the 2011 Plan). We refer to such amendment and restatement of the 2011 Plan in this proxy statement as the Amended 2011 Plan .

The Amended 2011 Plan contains the following material changes from the 2011 Plan:

Subject to adjustment for certain changes in our capitalization, the aggregate number of shares of our common stock that may be issued under the Amended 2011 Plan will not exceed 10,343,442 shares, which is an increase of 1,600,000 shares over the aggregate number of shares of our common stock that may be issued under the 2011 Plan.

The 2011 Plan contains a fungible share counting structure, whereby the number of shares of our common stock available for issuance under the 2011 Plan will be reduced by (i) one share for each share issued pursuant to a stock option or stock appreciation right with an exercise price that is at least 100% of the fair market value of our common stock on the date of grant (an Appreciation Award) granted under the 2011 Plan and (ii) 1.60 shares for each share issued pursuant to a stock award that is not an Appreciation Award (a Full Value Award) granted under the 2011 Plan on or after May 31, 2016. The Amended 2011 Plan retains such fungible share counting structure, except that the number of shares of our common stock available for issuance under the Amended 2011 Plan will be reduced by 1.35 shares for each share issued pursuant to a stock award that is a Full Value Award granted under the Amended 2011 Plan on or after May 31, 2017. As part of such fungible share counting structure, the number of shares of our common stock available for issuance under the Amended 2011 Plan will be increased by (i) one share for each share that becomes available again for issuance under the terms of the Amended 2011 Plan subject to an Appreciation Award and (ii) 1.35 shares for each share that becomes available again for issuance under the terms of the Amended 2011 Plan subject to a Full Value Award on or after May 31, 2017.

The 2011 Plan contains a minimum vesting requirement for stock options and stock appreciation rights. The Amended 2011 Plan extends such minimum vesting requirement to all types of awards, such that no award granted on or after May 31, 2017 may vest until at least 12 months following the date of grant of such award, except that up to 5% of the share reserve of the Amended 2011 Plan may be subject to awards granted on or after May 31, 2017 that do not meet such vesting requirements.

The Amended 2011 Plan provides that (i) no dividends or dividend equivalents may be paid with respect to any shares of our common stock subject to an award before the date such shares have vested, (ii) any dividends or dividend equivalents that are credited with respect to any such shares will be subject to all of the terms and conditions applicable to such shares under the terms of the applicable award agreement (including any vesting conditions), and (iii) any dividends or dividend equivalents that are credited with respect to any such shares will be forfeited to us on the date such shares are forfeited to or repurchased by us due to a failure to vest.

Why You Should Vote for the Amended 2011 Plan

The Amended 2011 Plan Combines Compensation and Governance Best Practices

The Amended 2011 Plan includes provisions that are designed to protect our stockholders' interests and to reflect corporate governance best practices including:

Stockholder approval is required for additional shares. The Amended 2011 Plan does not contain an annual evergreen provision. The Amended 2011 Plan authorizes a fixed number of shares, so that stockholder approval is required to issue any additional shares.

Repricing is not allowed. The Amended 2011 Plan prohibits the repricing of stock options and stock appreciation rights without prior stockholder approval.

No discounted stock options or stock appreciation rights. All stock options and stock appreciation rights must have an exercise price equal to or greater than the fair market value of our common stock on the date the stock option or stock appreciation right is granted.

Reasonable share counting provisions. In general, when awards granted under the Amended 2011 Plan lapse or are canceled, the shares reserved for those awards will be returned to the share reserve and be available for future awards. However, shares of common stock received from the exercise of stock options or withheld for taxes will not be returned to our share reserve.

Minimum vesting requirements. The Amended 2011 Plan provides that no award granted on or after May 31, 2017 may vest until at least 12 months following the date of grant of such award, except that up to 5% of the share reserve of the Amended 2011 Plan may be subject to awards granted on or after May 31, 2017 that do not meet such vesting requirements.

Limit on non-employee director compensation. The aggregate value of all cash and equity-based compensation granted or paid by us to any individual for service as a non-employee director of the Board with respect to any fiscal year of the Company will not exceed (i) a total of \$200,000 with respect to any such cash compensation and (ii) \$800,000 in total value with respect to any such equity-based compensation (including awards granted under the Amended 2011 Plan and any other equity-based awards), calculating the value of any such awards based on the grant date fair value of such awards for financial reporting purposes.

Awards subject to forfeiture/clawback. Awards granted under the Amended 2011 Plan will be subject to recoupment in accordance with any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose other clawback, recovery or recoupment provisions in an award agreement, including a reacquisition right in respect of previously acquired shares or other cash or property upon the occurrence of cause.

Restrictions on dividends. The Amended 2011 Plan provides that (i) no dividends or dividend equivalents may be paid with respect to any shares of our common stock subject to an award before the date such shares have vested, (ii) any dividends or dividend equivalents that are credited with respect to any such shares will be subject to all of the terms and conditions applicable to such shares under the terms of the applicable award agreement (including any vesting conditions), and (iii) any dividends or dividend equivalents that are credited with respect to any such shares will be forfeited to us on the date such shares are forfeited to or repurchased by us due to a failure to vest.

Overhang

The following table provides certain information regarding our equity incentive program.

	As of March 31, 2017
Total number of shares of common stock subject to outstanding stock options	3,669,768
Weighted-average exercise price of outstanding stock options	\$ 20.49
Weighted-average remaining term of outstanding stock options	6.38
Total number of shares of common stock subject to outstanding full value awards	1,877,762
Total number of shares of common stock available for grant under the 2011 Plan	1,118,268
Total number of shares of common stock available for grant under other equity incentive plans	

	As of April 6, 2017
Total number of shares of common stock outstanding	46,255,134
Per-share closing price of common stock as reported on NASDAQ Capital Market	\$ 5.35

We Manage Our Equity Incentive Award Use Carefully, and Dilution Is Reasonable

We continue to believe that equity incentive awards such as stock options and RSUs are a vital part of our overall compensation program. Our compensation philosophy reflects broad-based eligibility for equity incentive awards, and we grant awards to substantially all of our employees. However, we recognize that equity incentive awards dilute existing stockholders, and, therefore, we must responsibly manage the growth of our equity compensation program. We are committed to effectively monitoring our equity compensation share reserve, including our burn rate, to ensure that we maximize stockholders' value by granting the appropriate number of equity incentive awards necessary to attract, reward, and retain employees. In addition, the vesting of some of our equity awards granted to our named executive officers are contingent on meeting pre-defined performance criteria, thereby ensuring alignment with value creation.

The following table shows our responsible historical dilution and burn rate percentages.

As of December 31	2016	2015	2014
Full Dilution ⁽¹⁾	16.90%	11.88%	10.30%
Gross Burn Rate ⁽²⁾	5.90%	4.18%	2.80%

⁽¹⁾ Full Dilution is calculated as (shares available for grant + shares subject to outstanding equity incentive awards)/(weighted average common stock outstanding + shares available for grant + shares subject to outstanding equity incentive awards).

⁽²⁾ Gross Burn Rate is calculated as (shares subject to options granted + shares subject to other equity incentive awards granted)/weighted average common stock outstanding.

The Full Dilution percentage increase in 2016 is due to an increase in the aggregate number of shares of common stock authorized for issuance under the Amended 2011 Plan by 3,200,000 shares and equity incentive awards granted to employees in 2016.

The Gross Burn Rate percentage increase in 2016 is due to performance-based equity incentive awards granted to employees, a portion of which terminated without vesting, and an increase in equity incentive awards granted to employees, as compared to 2015, as result of hiring personnel to support the expected commercialization of a product candidate.

The Size of Our Share Reserve Increase Request Is Reasonable

If our request to increase the share reserve of the Amended 2011 Plan by 1,600,000 shares is approved, we will have approximately 2,718,268 shares available for grant after our Annual Meeting, which we anticipate being a maximum of a one-year pool of shares. We anticipate returning to stockholders for additional shares in 2018.

The size of our request is also reasonable in light of the equity granted to our employees and directors over the last three years, which is comparatively lower than the majority of our peer companies.

Burn Rate

The following table provides detailed information regarding the activity related to our equity incentive plans for fiscal years 2014, 2015 and 2016.

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Total number of shares of common stock subject to stock options granted	1,414,262	1,338,661	581,866
Total number of shares of common stock subject to full value awards granted	856,258	36,986	155,500
Weighted-average number of shares of common stock outstanding	38,505,856	32,881,333	26,289,000
Burn Rate	5.90%	4.18%	2.80%

Summary of the Amended 2011 Plan

A summary of the principal features of the Amended 2011 Plan follows below. The summary is qualified by the full text of the Amended 2011 Plan that is attached as Appendix A to this proxy statement.

Types of Awards

The Amended 2011 Plan provides for the following types of awards: incentive stock options, nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards. We refer to these stock awards in this Proposal 2 collectively as the stock awards or awards .

Eligibility

Awards may be granted under the Amended 2011 Plan to employees (including officers) of us or our affiliates and to members of our Board. Pursuant to applicable tax law, we may only grant incentive stock options to our employees (including officers) and employees of our affiliates. As of April 6, 2017, we had approximately 190 employees and eight non-employee directors.

Section 162(m) Limits

Under the Amended 2011 Plan, subject to adjustment for certain changes in our capitalization, no participant will be eligible to be granted during any calendar year more than: (i) a maximum of 1,000,000 shares of our common stock subject to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value of our common stock on the date of grant; (ii) a maximum of 1,000,000 shares of our common stock subject to performance stock awards; and (iii) a maximum of \$5,000,000 subject to performance cash awards. Such limitations are designed to help assure that any deductions to which we would otherwise be entitled with respect to such awards will not be subject to the \$1,000,000 limitation on the income tax deductibility of compensation paid to any covered employee imposed by Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

Non-Employee Director Compensation Limit

The aggregate value of all cash and equity-based compensation granted or paid by us to any individual for service as a non-employee director of the Board with respect to any fiscal year of the Company will not exceed (i) a total of \$200,000 with respect to any such cash compensation and (ii) \$800,000 in total value with respect to any such equity-based compensation (including awards granted under the Amended 2011 Plan and any other equity-

based awards), calculating the value of any such awards based on the grant date fair value of such awards for financial reporting purposes.

Administration

The Amended 2011 Plan is administered by our Board, which may in turn delegate authority to administer the Amended 2011 Plan to a committee. Our Board has delegated administration of the Amended 2011 Plan to the Compensation Committee, but has retained the authority to concurrently administer the Amended 2011 Plan with the Compensation Committee and may, at any time, revert in itself some or all of the powers previously delegated to the Compensation Committee. Subject to the terms of the Amended 2011 Plan, the Compensation Committee may determine the recipients, numbers and types of stock awards to be granted, and terms and conditions of the stock awards, including the period of their exercisability and vesting. Subject to the limitations set forth below, the Compensation Committee also determines the fair market value applicable to a stock award and the exercise price of stock options and stock appreciation rights granted under the Amended 2011 Plan.

In the discretion of the Board, the Compensation Committee may consist solely of two or more non-employee directors within the meaning of Rule 16b-3 of the Exchange Act, or solely of two or more outside directors within the meaning of Section 162(m) of the Code. The Compensation Committee has the authority to delegate its administrative powers under the Amended 2011 Plan to a subcommittee consisting of members of the Compensation Committee. The Amended 2011 Plan also permits delegation to one or more officers of the ability to determine the recipients, number of shares and types of stock awards (to the extent permitted by law) to be granted to employees other than our officers, subject to a maximum limit on the aggregate number of shares subject to stock awards that may be granted by such officers.

Stock Available for Awards

Subject to adjustment for certain changes in our capitalization, the aggregate number of shares of our common stock that may be issued under the Amended 2011 Plan (the Share Reserve) will not exceed 10,343,442 shares, which is equal to the sum of (i) 60,889 shares (which is the number of shares subject to the Prior Plans Available Reserve (as defined below)), (ii) an additional 1,500,000 shares that were approved at our 2011 special meeting of stockholders, (iii) an additional 1,000,000 shares that were approved at our 2013 annual meeting of stockholders, (iv) an additional 2,250,000 shares that were approved at our 2015 annual meeting of stockholders, (v) an additional 3,200,000 shares that were approved at our 2016 annual meeting of stockholders, (vi) an additional 1,600,000 shares that are subject to approval by our stockholders under this Proposal 2, and (vii) an additional number of shares in an amount not to exceed 732,553 shares (which number consists of the Returning Shares (as defined below), if any, as such shares become available from time to time).

The term Prior Plans Available Reserve refers to any available shares that, as of the effective date of the 2011 Plan, were reserved under our 2004 Stock Incentive Plan, 2010 Employment Inducement Award Plan and 1997 Equity Incentive Plan (each, a Prior Plan) but were not subject to stock awards that were granted under the Prior Plans as of the effective date of the 2011 Plan, less any shares that were added to the 2004 Stock Incentive Plan share reserve on the first business day in 2011 by operation of the evergreen provision in such plan.

The term Returning Shares refers to any shares subject to outstanding stock awards granted under the Prior Plans that expire or terminate prior to exercise or settlement or are forfeited because of the failure to vest, to the extent such shares would have otherwise returned to a Prior Plan in accordance with its terms had such Prior Plan been in active existence at such time.

The number of shares of our common stock available for issuance under the Amended 2011 Plan will be reduced by: (i) one share for each share issued pursuant to an Appreciation Award granted under the Amended 2011 Plan; (ii) one share for each share issued pursuant to a Full Value Award granted under the Amended 2011 Plan prior to May 27, 2015; (iii) 1.33 shares for each share issued pursuant to a Full Value Award granted under the

Amended 2011 Plan on or after May 27, 2015 but prior to May 31, 2016; (iv) 1.60 shares for each share issued pursuant to a Full Value Award granted under the Amended 2011 Plan on or after May 31, 2016 but prior to May 31, 2017; and (v) 1.35 shares for each share issued pursuant to a Full Value Award granted under the Amended 2011 Plan on or after May 31, 2017.

The number of shares of our common stock available for issuance under the Amended 2011 Plan will be increased by: (i) one share for each Returning Share or 2011 Plan Returning Share (as defined below) subject to an Appreciation Award; (ii) one share for each Returning Share or 2011 Plan Returning Share subject to a Full Value Award that returns to the Amended 2011 Plan prior to May 27, 2015; (iii) 1.33 shares for each Returning Share or 2011 Plan Returning Share subject to a Full Value Award that returns to the Amended 2011 Plan on or after May 27, 2015 but prior to May 31, 2016; (iv) 1.60 shares for each Returning Share or 2011 Plan Returning Share subject to a Full Value Award that returns to the Amended 2011 Plan on or after May 31, 2016 but prior to May 31, 2017; and (v) 1.35 shares for each Returning Share or 2011 Plan Returning Share subject to a Full Value Award that returns to the Amended 2011 Plan on or after May 31, 2017.

The following shares of our common stock (collectively, the 2011 Plan Returning Shares) will become available again for issuance under the Amended 2011 Plan: (i) any shares subject to a stock award that are not issued because such stock award expires or otherwise terminates without all of the shares covered by such stock award having been issued; (ii) any shares subject to a stock award that are not issued because such stock award is settled in cash; and (iii) any shares issued pursuant to a stock award that are forfeited back to or repurchased by us because of a failure to vest.

The following shares of our common stock will not become available again for issuance under the Amended 2011 Plan: (i) any shares that are reacquired or withheld (or not issued) by us to satisfy the exercise or purchase price of a stock award granted under the Amended 2011 Plan or a Prior Plan (including any shares subject to such award that are not delivered because such award is exercised through a reduction of shares subject to such award (i.e., net exercised)); (ii) any shares that are reacquired or withheld (or not issued) by us to satisfy a tax withholding obligation in connection with a stock award granted under the Amended 2011 Plan or a Prior Plan; and (iii) any shares repurchased by us on the open market with the proceeds of the exercise or purchase price of a stock award granted under the Amended 2011 Plan or a Prior Plan.

Appropriate adjustments will be made to the Share Reserve, to the other numerical limits described in the Amended 2011 Plan (such as the limit on the number of shares that may be issued as incentive stock options and the limit on the number of shares that may be awarded to any one participant in any calendar year for purposes of Section 162(m) of the Code) and to outstanding awards in the event of any change in our common stock without the receipt of consideration by us through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, other than the conversion of convertible securities.

Repricing Prohibition

Under the Amended 2011 Plan, neither the Board nor any committee has the authority to reprice any outstanding stock option or stock appreciation right by reducing the exercise price of the stock option or stock appreciation right or to cancel any outstanding stock option or stock appreciation right that has an exercise price greater than the then-current fair market value of our common stock in exchange for cash or other stock awards under the Amended 2011 Plan, unless our stockholders have approved such an action within 12 months prior to such an event.

Minimum Vesting Requirements

Under the Amended 2011 Plan, no award granted on or after May 31, 2017 may vest until at least 12 months following the date of grant of such award, except that up to 5% of the share reserve of the Amended 2011 Plan may be subject to awards granted on or after May 31, 2017 that do not meet such vesting requirements.

Dividends and Dividend Equivalents

The Amended 2011 Plan provides that dividends or dividend equivalents may be paid or credited with respect to any shares of our common stock subject to an award, as determined by the Board and contained in the applicable award agreement; *provided, however*, that (i) no dividends or dividend equivalents may be paid with respect to any such shares before the date such shares have vested, (ii) any dividends or dividend equivalents that are credited with respect to any such shares will be subject to all of the terms and conditions applicable to such shares under the terms of the applicable award agreement (including any vesting conditions), and (iii) any dividends or dividend equivalents that are credited with respect to any such shares will be forfeited to us on the date such shares are forfeited to or repurchased by us due to a failure to vest.

Terms of Options

A stock option is the right to purchase shares of our common stock at a fixed exercise price for a fixed period of time. Stock option grants may be incentive stock options or nonstatutory stock options. Each option is evidenced by a stock option agreement. The Board determines the terms of a stock option including the exercise price, the form of consideration paid on exercise, the vesting schedule, restrictions on transfer and the term.

Generally, the exercise price of a stock option may not be less than 100% of the fair market value of the stock subject to the option on the date of grant.

Options granted under the Amended 2011 Plan will vest at the rate specified in the option agreement (subject to the limitations described in Minimum Vesting Requirements above).

In general, the term of an option granted under the Amended 2011 Plan may not exceed seven years. Unless the terms of an optionee's stock option agreement provides otherwise, if an optionee's continuous service relationship with us, or any of our affiliates, ceases for any reason other than disability or death, the optionee may generally exercise any vested options for a period of three months following the cessation of service. The option term may be extended in the event that exercise of the option following such a termination of service is prohibited by applicable securities laws or our insider trading policy, but may not be extended beyond the original seven-year term. If an optionee's service relationship with us, or any of our affiliates, ceases due to disability or death, or an optionee dies within a certain period following cessation of service, the optionee or a beneficiary may generally exercise any vested options for a period of 12 months in the event of disability and 18 months in the event of death. In no event may any option be exercised beyond the expiration of its term.

Acceptable forms of consideration for the purchase of our common stock issued under the Amended 2011 Plan may include cash, payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board, common stock previously owned by the optionee, payment through a net exercise feature, or other approved forms of legal consideration.

Generally, an optionee may not transfer a stock option other than by will or the laws of descent and distribution or pursuant to a domestic relations order. However, the Board may permit transfer of an option in a manner that is not prohibited by applicable tax and securities laws upon the optionee's request. In addition, an optionee may designate a beneficiary who may exercise the option following the optionee's death. Notwithstanding the foregoing, no option may be transferred to any financial institution without prior stockholder approval.

Tax Limitations on Incentive Stock Options

The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to incentive stock options that are exercisable for the first time by an optionee during any calendar year under all of our stock plans may not exceed \$100,000. The options or portions of options that exceed this limit are generally treated as nonstatutory stock options. In addition, the maximum number of shares that may be issued pursuant to the exercise of incentive stock options under the Amended 2011 Plan is 11,000,000 shares. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless the following conditions are satisfied:

the option exercise price must be at least 110% of the fair market value of the stock subject to the option on the date of grant; and

the term of any incentive stock option award must not exceed five years from the date of grant.

Terms of Restricted Stock Awards

Restricted stock awards are awards of shares of our common stock. Each restricted stock award is evidenced by an award agreement that sets forth the terms and conditions of the award. A restricted stock award may be granted in consideration for cash, the recipient's services performed for us or an affiliate of ours or other form of legal consideration. Shares of our common stock acquired under a restricted stock award may be subject to forfeiture in accordance with the vesting schedule determined at the time of grant (subject to the limitations described in *Minimum Vesting Requirements* above). Rights to acquire shares of our common stock under a restricted stock award may be transferred only upon such terms and conditions as are set forth in the restricted stock award agreement; *provided, however*, that no restricted stock award may be transferred to any financial institution without prior stockholder approval.

Terms of Restricted Stock Unit Awards

A restricted stock unit is a right to receive stock or cash (or a combination of cash and stock) equal to the value of a share of stock at the end of a set period. No stock is issued at the time of grant. Each restricted stock unit award is evidenced by an agreement that sets forth the terms and conditions of the award. Restricted stock unit awards may be subject to vesting in accordance with a vesting schedule determined at grant (subject to the limitations described in *Minimum Vesting Requirements* above).

When a participant's continuous service with us or any of our affiliates terminates for any reason, the unvested portion of the restricted stock unit award will be forfeited unless otherwise provided in the restricted stock unit award agreement.

Terms of Stock Appreciation Rights

Stock appreciation rights are granted pursuant to a stock appreciation rights agreement. Each stock appreciation right is denominated in common stock share equivalents. The Board determines the strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our common stock on the date of grant.

A stock appreciation right granted under the Amended 2011 Plan vests at the rate specified in the stock appreciation right agreement as determined by the Board (subject to the limitations described in *Minimum Vesting Requirements* above).

When a stock appreciation right is exercised, the holder is entitled to an amount equal to the product of (a) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (b) the number of shares of common stock with respect to which the stock appreciation right is exercised. We may pay the amount of the appreciation in cash or shares of our common stock or a combination of both.

The Board determines the term of stock appreciation rights granted under the Amended 2011 Plan, up to a maximum of seven years. Unless the terms of a holder's stock appreciation rights agreement provides otherwise, if a holder's continuous service with us, or any of our affiliates, ceases for any reason other than disability or death, the holder may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. The stock appreciation right term may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws or our insider trading policy. If a holder's service relationship with us, or any of our affiliates, ceases due to disability or death, or a holder dies within a certain period following cessation of service, the holder or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability and 18 months in the event of death. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Terms of Performance Awards

The Amended 2011 Plan provides for the grant of performance stock awards and performance cash awards. A performance award may vest or be exercised upon achievement of pre-determined performance goals during a specified period. A performance award may also require the completion of a specified period of continuous service. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be determined by the Board or, to the extent necessary to comply with Section 162(m) of the Code, the Compensation Committee (subject to the limitations described in Minimum Vesting Requirements above).

Section 162(m) of the Code disallows a deduction to any publicly held corporation and its affiliates for certain compensation paid to covered employees in a taxable year to the extent that compensation to a covered employee exceeds \$1 million. However, some kinds of compensation, including qualified performance-based compensation, are not subject to this deduction limitation. While we believe it is in the best interests of the Company and our stockholders to preserve the ability to grant performance-based compensation under Section 162(m) of the Code, in certain circumstances, we may determine to grant compensation to covered employees that is not intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code. Moreover, even if we grant compensation that is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code, we cannot guarantee that such compensation ultimately will be deductible by us.

In granting a performance award intended to qualify as performance-based compensation under Section 162(m) of the Code, the Compensation Committee will set a period of time, or a performance period, over which the attainment of one or more goals, or performance goals, will be measured. Within the time period prescribed by Section 162(m) of the Code, at the time when the achievement of the performance goals remains substantially uncertain (no later than the earlier of the 90th day of a performance period and the date on which 25% of the performance period has elapsed, and in any event at a time when the achievement of the performance goals remains substantially uncertain), the Compensation Committee will establish the performance goals, based upon one or more criteria, or performance criteria, enumerated in the Amended 2011 Plan and described below. Prior to the payment of any compensation under any award intended to qualify as performance-based compensation under Section 162(m) of the Code, the Compensation Committee will certify (in writing) whether the performance goals have been satisfied. Notwithstanding satisfaction of the achievement of any performance goals, the number of shares of common stock, stock options, cash or other consideration granted, issued, retainable or vested under an award on account of such satisfaction may be reduced by the Compensation Committee, as determined in its sole discretion.

Performance-based stock and cash awards may be made subject to one or more of the following criteria: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization (EBITDA); (iv) total stockholder return; (v) return on equity or average stockholder's equity; (vi) return on assets, investment, or capital employed; (vii) stock price or stock price performance; (viii) margin (including gross margin); (ix) net income (before or after taxes);

(x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders' equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; (xxxiii) submission to, or approval by, a regulatory body (including but not limited to the U.S. Food and Drug Administration) of an applicable filing for a product candidate or other product development milestones; (xxxiv) acquisitions, divestitures, joint ventures, strategic alliances, licenses or collaborations; (xxxv) spin-offs, split-ups, reorganizations, recapitalizations, restructurings, financings (debt or equity) or refinancings; (xxxvi) manufacturing or process development, clinical trial or research objectives; and (xxxvii) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

The performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise (i) in the award agreement at the time the award is granted or (ii) in such other document setting forth the performance goals at the time the goals are established, we will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and/or the award of an annual cash incentive under our Annual Incentive Program; and (10) to exclude the effect of any other unusual, non-recurring gain or loss or other extraordinary item. In addition, we retain the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of the goals. The performance goals may differ from participant to participant and from award to award.

Terms of Other Stock Awards

The Board may grant other forms of stock awards that are valued in whole or in part by reference to the value of our common stock. Subject to the provisions of the Amended 2011 Plan, the Board has the authority to determine the persons to whom and the dates on which such other stock awards will be granted, the number of shares of common stock (or cash equivalents) to be subject to each award, and other terms and conditions of such awards. Such awards may be granted either alone or in addition to other stock awards granted under the Amended 2011 Plan. Such other forms of stock awards may be subject to vesting in accordance with a vesting schedule determined at grant (subject to the limitations described in [Minimum Vesting Requirements](#) above).

Clawback Policy

Awards granted under the Amended 2011 Plan will be subject to recoupment in accordance with any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose other clawback, recovery or recoupment provisions in an award agreement, including a reacquisition right in respect of previously acquired shares or other cash or property upon the occurrence of cause.

Corporate Transactions; Changes in Control

Corporate Transaction. In the event of certain corporate transactions (as defined below), the Board has the discretion to take one or more of the following actions with respect to outstanding stock awards under the Amended 2011 Plan:

arrange for the assumption, continuation, or substitution of a stock award by a surviving or acquiring entity (or its parent company);

arrange for the assignment of any reacquisition or repurchase rights applicable to any shares of our common stock issued pursuant to a stock award to the surviving or acquiring corporation (or its parent company);

accelerate the vesting and exercisability of a stock award followed by the termination of the stock award;

arrange for the lapse of any reacquisition or repurchase rights applicable to any shares of our common stock issued pursuant to a stock award;

cancel or arrange for the cancellation of a stock award, to the extent not vested or not exercised, in exchange for such cash consideration, if any, as the Board may determine in its sole discretion; and

arrange for the surrender of a stock award in exchange for a payment equal to the excess of (a) the value of the property the holder of the stock award would have received upon the exercise of the stock award, over (b) any exercise price payable by such holder in connection with such exercise.

The Board need not take the same action for all stock awards.

For purposes of the Amended 2011 Plan, a corporate transaction will be deemed to occur in the event of (i) the consummation of a sale of all or substantially all of our consolidated assets, (ii) the consummation of a sale of at least 90% of our outstanding securities, (iii) the consummation of a merger or consolidation in which we are not the surviving corporation, or (iv) the consummation of a merger or consolidation in which we are the surviving corporation but shares of our outstanding common stock are converted into other property by virtue of the transaction.

Change in Control. In the event of certain change in control events (as defined in the Amended 2011 Plan), the Board will have the discretion to take any one or more of the actions described above under *Corporate Transaction* with respect to outstanding stock awards under the Amended 2011 Plan. A stock award may be subject to additional acceleration of vesting and exercisability upon or after a change in control event, as may be provided in the stock award agreement or in any other written agreement between us or any affiliate and the participant.

The acceleration of vesting of an award in the event of a corporate transaction or a change in control event under the Amended 2011 Plan may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of us.

Duration, Suspension, Termination, and Amendment

The Board may suspend or terminate the Amended 2011 Plan at any time. Unless sooner terminated by our Board, the Amended 2011 Plan shall automatically terminate on November 11, 2020, which is the day before the tenth anniversary of the date the 2011 Plan was adopted by the Compensation Committee. No awards may be granted under the Amended 2011 Plan while the Amended 2011 Plan is suspended or after it is terminated.

The Board may amend the Amended 2011 Plan at any time. However, no amendment or termination of the plan will adversely affect any rights under awards already granted to a participant unless agreed to by the affected participant. We will obtain stockholder approval of any amendment to the Amended 2011 Plan as required by applicable law or listing requirement.

Tax Withholding

The Board may require a participant to satisfy any federal, state, local, or foreign tax withholding obligation relating to a stock award by (a) causing the participant to tender a cash payment; (b) withholding shares of common stock from the shares of common stock issued or otherwise issuable to the participant in connection with the award; (c) withholding cash from an award settled in cash or from other amounts payable to the participant; or (d) by other method set forth in the award agreement.

Federal Income Tax Information

The following is a summary of the principal U.S. federal income taxation consequences to participants and us with respect to participation in the Amended 2011 Plan. The information is based upon current federal income tax rules and therefore is subject to change when those rules change. Given that the tax consequences to any recipient depend on his or her particular situation, each recipient should consult the recipient's tax adviser regarding the federal, state, local, and other tax consequences of the grant or exercise of an award or the disposition of stock acquired as a result of an award. The Amended 2011 Plan is not qualified under the provisions of Section 401(a) of the Code, and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974.

Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

Incentive Stock Options

The Amended 2011 Plan provides for the grant of stock options that qualify as incentive stock options, as defined in Section 422 of the Code. Under the Code, an optionee generally is not subject to ordinary income tax upon the grant or exercise of an incentive stock option. If the optionee holds a share received on the exercise of an incentive stock option for more than two years from the date the option was granted and more than one year from the date the option was exercised, which is referred to as the required holding period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the holder's tax basis in that share will be long-term capital gain or loss.

If, however, an optionee disposes of a share acquired on exercise of an incentive stock option before the end of the required holding period, which is referred to as a disqualifying disposition, the optionee generally will recognize ordinary income in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the share on the date the incentive stock option was exercised over the exercise price. However, if the sales proceeds are less than the fair market value of the share on the date of exercise of the option, the amount of ordinary income recognized by the optionee will not exceed the gain, if any, realized on the sale. If the amount realized on a disqualifying disposition exceeds the fair market value of the share on the date of exercise of the option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of stock acquired on exercise of an incentive stock option exceeds the exercise price of that option generally will be an adjustment included in the optionee's alternative minimum taxable income for the year in which the option is exercised. If, however, there is a disqualifying disposition of the share in the year in which the option is exercised, there will be no adjustment for alternative minimum tax purposes with respect to that share. In computing alternative minimum taxable income, the tax basis of a share acquired on exercise of an incentive stock option is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the option is exercised.

We are not allowed an income tax deduction with respect to the grant or exercise of an incentive stock option or the disposition of a share acquired on exercise of an incentive stock option after the required holding period. If there is a disqualifying disposition of a share, however, we are allowed a deduction in an amount equal to the ordinary income includible in income by the optionee.

Nonstatutory Stock Options

Generally, there is no taxation upon the grant of a nonstatutory stock option if the option is granted with an exercise price equal to the fair market value of the underlying stock on the grant date. On exercise, an optionee will recognize ordinary income equal to the excess, if any, of the fair market value on the date of exercise of the stock over the exercise price. If the optionee is employed by us or one of our affiliates, that income will be subject to withholding tax. Generally, the optionee's tax basis in those shares will be equal to their fair market value on the date of exercise of the option, and the optionee's capital gain holding period for those shares will begin on that date. We will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the optionee.

Restricted Stock Awards

Generally, the recipient of a restricted stock award will recognize ordinary compensation income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary compensation income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days of his or her receipt of the stock award, to recognize ordinary compensation income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient in exchange for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock award.

Restricted Stock Units

Generally, no taxable income is recognized upon receipt of a RSU award. The participant will recognize ordinary income in the year in which the shares subject to that unit are actually issued to the participant in an amount equal to the fair market value of the shares on the date of issuance. Generally, we will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time the shares are issued.

Stock Appreciation Rights

Generally, stock appreciation rights are subject to similar tax rules as nonstatutory stock options. This means that, generally, no taxable income is realized upon the receipt of a stock appreciation right. Upon exercise of the stock appreciation right, the fair market value of the shares (or cash in lieu of shares) received, less any strike price paid for such shares, is recognized as ordinary income to the participant in the year of such exercise.

Generally, with respect to employees, we are required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. We will generally be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant.

Section 162(m)

Compensation of persons who are covered employees of the Company is subject to the tax deduction limits of Section 162(m) of the Code. Awards that qualify as performance-based compensation are exempt from the limitations of Section 162(m), thereby permitting us to claim the full federal tax deduction otherwise allowed for such compensation. The Amended 2011 Plan is intended to enable us to grant awards that will be exempt from the deduction limits of Section 162(m). Under Section 162(m), compensation attributable to stock options and stock appreciation rights generally may be eligible to qualify as performance-based compensation if, among other requirements, (i) such awards are approved by a compensation committee composed solely of outside directors, (ii) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, (iii) the per-employee limitation is approved by the stockholders, and (iv) the exercise or strike price of the award is no less than the fair market value of the stock on the date of grant. Compensation attributable to restricted stock, RSUs, performance awards and other stock-based awards generally may be eligible to qualify as performance-based compensation, if, among other requirements, (i) the award is approved by a compensation committee composed solely of outside directors, (ii) the award is granted, becomes vested or is settled, as applicable, only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) a committee of outside directors certifies in writing prior to the granting (or vesting or settlement) of the award that the performance goal has been satisfied, and (iv) prior to the granting (or vesting or settlement) of the award, the stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount, or formula used to calculate the amount, payable upon attainment of the performance goal).

Awards Granted Under the 2011 Plan

The following table sets forth, for each of the individuals and various groups indicated, the total number of shares of our common stock subject to awards that have been granted under the 2011 Plan as of April 6, 2017.

2011 Equity Incentive Plan

Name and Position	As of April 6, 2017 Number of Shares
Eddie Gray	1,288,751
CEO and Director	
Michael S. Ostrach	442,484
Senior Vice President, Chief Financial Officer and Chief Business Officer	
Robert L. Coffman, Ph.D.	416,281
Senior Vice President and Chief Scientific Officer	
Robert Janssen, M.D.	346,375
Vice President and Chief Medical Officer	
David F. Novack	349,402
Senior Vice President, Operations and Quality	
All current executive officers as a group	2,843,293
All current directors who are not executive officers as a group	240,325
Each nominee for election as a director:	
Daniel L. Kisner, M.D.	37,450
Stanley A. Plotkin, M.D.	27,250
Natale Ricciardi	20,250
Each associate of any executive officers, current directors or director nominees	
Each other person who received or is to receive 5% of awards	
Eddie Gray	1,288,751
Michael S. Ostrach	442,484
Robert L. Coffman, Ph.D.	416,281
All employees, including all current officers who are not executive officers, as a group	4,832,404

New Plan Benefits under Amended 2011 Plan

Name and Position	Number of Shares
Eddie Gray CEO and Director	150,000 ⁽¹⁾
Michael S. Ostrach Senior Vice President, Chief Financial Officer and Chief Business Officer	99,609 ⁽¹⁾
Robert L. Coffman, Ph.D. Senior Vice President and Chief Scientific Officer	109,405 ⁽¹⁾
Robert Janssen, M.D. Vice President and Chief Medical Officer	93,750 ⁽¹⁾
David F. Novack Senior Vice President, Operations and Quality	90,527 ⁽¹⁾
All current executive officers as a group	543,291 ⁽¹⁾
All current directors who are not executive officers as a group	60,000 per calendar year ⁽²⁾
All employees, including all current officers who are not executive officers, as a group	192,077 ⁽¹⁾

(1) Awards granted under the Amended 2011 Plan to our executive officers and other employees are discretionary and are not subject to set benefits or amounts under the terms of the Amended 2011 Plan. However, in February 2017, our Compensation Committee approved for grant in June 2017 a number of stock options and restricted stock unit awards to certain employees (including our executive officers) under the Amended 2011 Plan subject to stockholder approval of this Proposal 2, and the number of shares subject to each such award, if granted in the form of a restricted stock unit award, is indicated in this table. However, each such individual may instead elect to receive his or her award in the form of a stock option, in which case the number of shares subject to each such stock option will be 1.35 times the number of shares indicated in this table.

(2) Awards granted under the Amended 2011 Plan to our non-employee directors are discretionary and are not subject to set benefits or amounts under the terms of the Amended 2011 Plan. However, pursuant to our current compensation program for non-employee directors, each of our current non-employee directors is eligible to receive an annual grant of a stock option to purchase 7,500 shares of our common stock. On and after the date of the Annual Meeting, any such stock options will be granted under the Amended 2011 Plan if this Proposal 2 is approved by our stockholders. For additional information regarding our current compensation program for non-employee directors, please see [Director Compensation](#) below.

Vote Required

The affirmative vote of the holders of a majority of shares present and cast either in person or by proxy at the Annual Meeting will be required to approve this Proposal 2. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum but are not counted for any purpose in determining whether this Proposal 2 has been approved.

THE BOARD OF DIRECTORS RECOMMENDS**A VOTE IN FAVOR OF PROPOSAL 2.**

PROPOSAL 3

APPROVAL OF AN AMENDMENT TO THE SIXTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED, TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF COMMON STOCK FROM 69,500,000 TO 139,000,000

The Board is requesting stockholder approval of an amendment to the Company's Sixth Amended and Restated Certificate of Incorporation, as amended (the Charter), to increase the authorized number of the Company's shares of common stock from 69,500,000 to 139,000,000 shares (the Charter Amendment). This description is qualified by the full text of the Charter Amendment that is attached as Appendix B to this proxy statement.

The additional common stock to be authorized by adoption of the amendment would have rights identical to the currently outstanding common stock of the Company. Stockholders have no preemptive rights to acquire shares of common stock issued by the Company under its Charter. This means that current stockholders do not have a prior right to purchase any new issue of our capital stock in order to maintain their proportionate ownership of common stock. Adoption of the proposed amendment and issuance of the common stock would not affect the rights of the holders of currently outstanding common stock of the Company, except for effects incidental to increasing the number of shares of the Company's common stock outstanding, such as dilution of the earnings per share and voting rights of current holders of common stock. The issuance of additional shares of our common stock, or the perception that additional shares may be issued, may adversely affect the market price of our common stock. The additional shares of common stock authorized by the approval of this Proposal 3 could be issued by our Board without further vote of our stockholders except as may be required in particular cases by our Restated Certificate of Incorporation, applicable law, regulatory agencies or the rules of the NASDAQ Stock Market.

In addition to the 46,255,134 shares of common stock outstanding on April 6, 2017, there were:

140,946 shares of common stock reserved for future issuance under the Company's 2004 Stock Incentive Plan;

12,450 shares of common stock reserved for future issuance under the Company's 2010 Employment Inducement Plan;

1,118,268 shares of common stock reserved for future issuance under the Company's Amended 2011 Plan, which may be further amended upon approval of Proposal 2; and

137,865 shares of common stock reserved for future issuance under the Company's Amended and Restated 2014 Employee Stock Purchase Plan.

4,995,320 shares of common stock reserved for future issuance under the Company's 2015 At Market Issuance Sales Agreement with Cowen and Company, LLC.

Additionally, as of April 6, 2017, no shares of preferred stock were outstanding.

We have financed our operations and internal growth primarily through public offerings and private placements of our common stock and funding from collaborations and government grants. We do not currently have any commitments for future external funding and, until we can generate a sufficient amount of product revenue, which we may never do, we expect to finance future cash needs through one or more of the following: public or private equity offerings; debt financings; collaboration and licensing arrangements, which often involve the possibility of an equity investment; and interest income earned on the investment of our cash and short-term investments.

Although the Board has no immediate plans to issue the additional shares of common stock it desires to have the shares available to provide additional flexibility to use its common stock for business and financial purposes in the future as well to have sufficient shares available to provide appropriate equity incentives for our employees. The additional shares may be used for various purposes without further stockholder approval. These purposes may include raising capital; providing equity incentives to employees, officers, directors, consultants and/or advisors;

establishing strategic relationships with other companies; expanding our business through the acquisition of other businesses, products or technologies; and other purposes. For example, we will need to raise substantial additional funds to, among other things, finance our operations, clinical trials and the initial commercial activities for our lead product HEPLISAV-B, if it is approved. Thus, we will need to obtain significant amounts of additional capital and the additional shares may be used for a financing if we have an appropriate opportunity. Although we may pursue other sources of funding, such as corporate collaborations and partnerships, if we are not successful with these efforts or if our Board otherwise determines that a financing through issuing additional shares is attractive, we want to be in a position to act quickly depending on market conditions. If this Proposal 3 is not approved by our stockholders, it is possible that financing alternatives for the Company may be limited by the lack of sufficient unissued and unreserved authorized shares of common stock, and stockholder value may be harmed by this limitation. In addition, our success depends in part on our continued ability to attract, retain and motivate highly qualified management and clinical and scientific personnel, and if this Proposal 3 is not approved by our stockholders, the lack of sufficient unissued and unreserved authorized shares of common stock to provide future equity incentive opportunities the Compensation Committee of our Board deems appropriate could adversely impact our ability to achieve these goals.

If our stockholders do not approve this Proposal 3, we may not be able to access the capital markets; complete corporate collaborations or partnerships; attract, retain and motivate employees; or pursue other business opportunities integral to our growth and success.

Our Board believes that the proposed increase in authorized common stock will make sufficient shares available to provide the additional flexibility necessary to pursue our strategic objectives. Over the past several years, flexibility has allowed us to pursue a number of strategic and financing transactions. For example, in 2015, we issued an aggregate of 7,352,712 shares of our common stock in an underwritten public offering and through an At The Market Agreement for gross proceeds of approximately \$194 million to fund clinical development and other research and development activities and for working capital and general corporate purposes. In the first quarter of 2017, we sold 6,697,568 shares of our common stock through an At The Market Agreement for gross proceeds of approximately \$30 million. Unless our stockholders approve this Proposal 3, we will not have sufficient unissued and unreserved authorized shares of common stock to engage in similar transactions or to meet exigent needs to implement new or revised equity compensation arrangements in the future.

The additional common stock to be authorized by stockholder approval of this Proposal 3 would have rights identical to the currently outstanding shares of our common stock. Approval of this Proposal 3 and issuance of the additional authorized shares of common stock would not affect the rights of the holders of currently outstanding shares of our common stock, except for effects incidental to increasing the number of shares of our common stock outstanding, such as dilution of any earnings per share and voting rights of current holders of common stock. Under our Amended and Restated Certificate of Incorporation, stockholders do not have preemptive rights to subscribe to additional securities that may be issued by the Company, which means that current stockholders do not have a prior right thereunder to purchase any new issue of common stock in order to maintain their proportionate ownership interests in the Company.

The proposed amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock could, under certain circumstances, have an anti-takeover effect. The additional shares of common stock that would become available for issuance if this Proposal 3 is approved could also be used by us to oppose a hostile takeover attempt or to delay or prevent changes in control or our management of the Company. For example, pursuant to our current Rights Agreement, dated November 5, 2008, between the Company and Mellon Investor Services LLC under certain circumstances related to an acquisition of shares via a tender or exchange offer whereby a person becomes the beneficial owner of 20% or more of our common stock in a transaction not approved by the Board, Preferred Shares could be issued to our current stockholders upon the exercise of the Rights. Additionally, without further stockholder approval, the Board could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current Board. Although this proposal to increase the authorized common stock has been prompted by business and financial

considerations and not by the threat of any hostile takeover attempt (nor is the Board currently aware of any such attempts directed at us), nevertheless, stockholders should be aware that approval of this Proposal 3 could facilitate future efforts by us to deter or prevent changes in control of the Company, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

If the amendment is adopted, it will become effective upon filing of a Certificate of Amendment of the Company's Charter with the Secretary of State of the State of Delaware and the newly authorized shares would be available for issuance. No further stockholder authorization would be required prior to the issuance of such shares by the Company, except where stockholder approval is required under Delaware corporate law or NASDAQ rules.

The affirmative vote of the holders, cast either in person or by proxy, of a majority of the outstanding shares will be required to approve this Proposal 3. Abstentions and broker non-votes will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3.

PROPOSAL 4

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with SEC rules, Dynavax stockholders are being asked to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement, which is commonly referred to as a say-on-pay vote. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers, which results from our compensation philosophy, policies and practices as discussed in this proxy statement. The compensation of our named executive officers subject to the say-on-pay vote is described in the Compensation Discussion and Analysis, the accompanying tables, and the related narrative disclosure contained in this proxy statement.

Our Compensation Committee is responsible for designing and administering our executive compensation programs. Our Compensation Committee firmly believes that Dynavax's executive compensation programs should reward our named executive officers for performance, and that when key performance objectives are not achieved, the compensation of our named executive officers should reflect as much. We believe that the compensation of our named executive officers, as disclosed in this proxy, reflects this philosophy. In addition, our Compensation Committee believes that the compensation programs for our named executive officers have been instrumental in helping Dynavax be able to attract, retain and motivate our executive team, thereby enabling our company to be in a position to move forward with our business strategy.

Our Board of Directors is now asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by casting a non-binding advisory vote For the following resolution:

RESOLVED, that the compensation paid to Dynavax's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Although this vote is advisory and the outcome is not binding on our Board of Directors, the views expressed by our stockholders, whether through this vote or otherwise, are important to us. As a result, the Board of Directors and the Compensation Committee will carefully review the results of this vote, and they will consider these results in making future decisions about our executive compensation programs and arrangements.

Unless our Board of Directors modifies its policy on the frequency of future advisory votes on the compensation of our named executive officers, the next advisory vote on the compensation of our named executive officers will be held at the 2018 annual meeting of stockholders.

Approval of this advisory proposal requires the vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 4.

PROPOSAL 5

ADVISORY VOTE ON THE FREQUENCY OF SOLICITATION OF

ADVISORY STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION

Section 14A of the Exchange Act enables the Company's stockholders, at least once every six years, to indicate their preference regarding how frequently the Company should solicit a non-binding advisory vote on the compensation of the Company's named executive officers as disclosed in the Company's proxy statement. At our 2011 Annual Meeting, our stockholders voted in favor of holding a say-on-pay vote once every three years. Subsequently, in February 2016, as part of a number of corporate governance improvements made in response to feedback from our stockholders and the proxy advisory firms, our Board of Directors adopted a policy changing the frequency of our say-on-pay vote from once every three years to every year. Accordingly, the Company is asking stockholders to indicate whether they would prefer an advisory vote every year, every other year or every three years. Alternatively, stockholders may abstain from casting a vote. For the reasons described below, the Board of Directors recommends that the stockholders select a frequency of one year.

After considering the benefits and consequences of each alternative, the Board of Directors recommends that the advisory vote on the compensation of the Company's named executive officers be submitted to the stockholders once every one year. The Board of Directors believes that an annual advisory vote on the compensation of the Company's named executive officers is the best approach for the Company. In formulating its recommendation, the Board of Directors considered that an annual advisory vote on executive compensation will allow stockholders to provide direct input on the Company's compensation philosophy, policies and practices every year. Additionally, an annual advisory vote on executive compensation is consistent with the Company's policy of seeking input from, and engaging in discussions with, its stockholders on executive compensation and corporate governance matters.

Accordingly, the Board is asking stockholders to indicate their preferred voting frequency by voting for one, two or three years or abstaining from voting on this proposal. The alternative among one year, two years or three years that receives the votes of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency preferred by the stockholders and will be the alternative selected in the following resolution to be submitted to the stockholders for a vote at the annual meeting:

RESOLVED, that the frequency of every [one year][two years][three years] is hereby APPROVED as the frequency preferred by stockholders for the solicitation of advisory stockholder approval of the compensation paid to the Company's named executive officers.

While the Board of Directors believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preferences, on an advisory basis, as to whether the non-binding advisory vote on the approval of the Company's executive officer compensation practices should be held every year, every other year or every three years. The option among those choices that receives the votes of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency preferred by the stockholders.

The Board of Directors and the Compensation Committee value the opinions of the stockholders in this matter and, to the extent there is any significant vote in favor of one frequency over the other options, even if less than a majority, the Board of Directors will consider the stockholders' concerns and evaluate any appropriate next steps. However, because this vote is advisory and, therefore, not binding on the Board of Directors or the Company, the Board of Directors may decide that it is in the best interests of the stockholders that the Company hold an advisory vote on executive compensation more or less frequently than the option preferred by the stockholders. The vote will not be construed to create or imply any change or addition to the fiduciary duties of the Company or the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF ONE YEAR ON PROPOSAL 5.

PROPOSAL 6**RATIFICATION OF SELECTION OF****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young LLP, or Ernst & Young, as our independent registered public accounting firm for the fiscal year ending December 31, 2017. Ernst & Young has audited our financial statements since 2001. Representatives of Ernst & Young are expected to be present at the Annual Meeting. Ernst & Young will have an opportunity to make a statement if it so desires and will be available to respond to appropriate questions.

If the stockholders fail to ratify the selection of Ernst & Young, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum but are not counted for any purpose in determining whether this matter has been approved; however, Proposal 6 is considered a routine matter, and therefore no broker non-votes are expected to exist in connection with this Proposal 6.

THE BOARD OF DIRECTORS RECOMMENDS**A VOTE IN FAVOR OF PROPOSAL 6.****AUDIT FEES**

In connection with the audit of our 2016 financial statements, we entered into an engagement agreement with Ernst & Young which sets forth the terms by which Ernst & Young will perform audit services for us.

The following table represents aggregate fees billed to the Company for the fiscal years ended December 31, 2016 and 2015 by Ernst & Young, our principal auditors. The Audit Committee pre-approved all service fees described below.

	Fiscal Year Ended	
	2016	2015
Audit Fees ⁽¹⁾	\$ 1,300,804	\$ 1,095,234
Audit Related Fees		
Tax Fees ⁽²⁾		
All Other Fees ⁽³⁾	1,995	1,995
Total Fees	\$ 1,302,799	\$ 1,097,229

⁽¹⁾ Audit fees include fees for the audit of our consolidated financial statements and interim reviews of our quarterly financial statements, including compliance with the provisions of Section 404 of the Sarbanes-Oxley Act as well as fees related to registration statements, consents and other services related to SEC matters. In each of 2016 and 2015, audit fees included fees related to a comfort letter in connection with an equity offering.

⁽²⁾ Tax fees include preparation of international subsidiary statutory tax returns.

⁽³⁾ All other fees represent subscription fees for an online accounting research tool and related database.

PRE-APPROVAL POLICIES AND PROCEDURES

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Our Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, Ernst & Young. Under the policy, the Audit

Committee pre-approves specified services in the defined categories of audit services, audit-related services, tax services and all other services up to specified amounts. Pre-approval may be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an interim basis by the Audit Committee Chair, as needed and on a case-by-case basis before the independent registered public accounting firm is engaged to provide each service.

The Audit Committee has determined that services rendered by Ernst & Young are compatible with maintaining the principal auditors independence.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to our executive officers as of April 6, 2017:

Name	Age	Position
Eddie Gray ⁽¹⁾	58	Chief Executive Officer and Director
Michael S. Ostrach	65	Senior Vice President, Chief Financial Officer and Chief Business Officer
Robert L. Coffman, Ph.D.	70	Senior Vice President and Chief Scientific Officer
Robert Janssen, M.D.	63	Chief Medical Officer and Vice President, Clinical Development
David F. Novack	55	Senior Vice President, Operations and Quality

⁽¹⁾ Please see [Class I Directors Continuing In Office Until the 2019 Annual Meeting](#) in this proxy statement for more information about Mr. Gray.

Michael S. Ostrach Senior Vice President, Chief Financial Officer and Chief Business Officer

Mr. Ostrach is our Senior Vice President, Chief Financial Officer and Chief Business Officer. Mr. Ostrach joined Dynavax in October 2006 as Vice President, Chief Business Officer and General Counsel, and became Principal Financial Officer in September 2013, Chief Financial Officer in March 2015 and Senior Vice President in February 2016. Mr. Ostrach held the position of Dynavax's General Counsel from October 2006 to September 2015. From 2005 to 2006, he was Chief Operating Officer, Chief Financial Officer and General Counsel at Threshold Pharmaceuticals. From 1997 to 2004, Mr. Ostrach was at Kosan Biosciences, most recently as President and Chief Operating Officer. Mr. Ostrach began his corporate career at Cetus Corporation, where he served in several capacities between 1981 and 1991, initially as General Counsel and finally as Senior Vice President of Corporate Affairs and General Counsel. Following the acquisition of Cetus by Chiron Corporation in 1991, Mr. Ostrach became President of Chiron Technologies. He holds a B.A. from Brown University and a J.D. from Stanford Law School.

Robert L. Coffman, Ph.D. Senior Vice President and Chief Scientific Officer

Dr. Coffman was appointed Senior Vice President and Chief Scientific Officer of Dynavax in February 2014, and prior to that he was Vice President and Chief Scientific Officer of Dynavax since December 2000. Prior to joining Dynavax in 2000, Dr. Coffman was a founding member of the DNAX Research Institute in Palo Alto, California. Dr. Coffman has authored over 200 scientific publications, is a member of the National Academy of Sciences and the American Academy of Microbiology, and has received a number of prestigious awards for his work. With colleague Dr. Tim Mosmann, he defined the two principal subtypes of helper T cells, termed Th1 and Th2 cells, and demonstrated the central relationship between their differences in cytokine expression and function. Dr. Coffman defined basic mechanisms of T-cell regulation in asthma and infectious and parasitic diseases, and demonstrated the central role of regulatory CD4+ T cells in preventing inflammatory bowel disease. At Dynavax, Dr. Coffman has pioneered the development of agonists and antagonists for Toll-Like Receptors (TLRs), key recognition receptors in innate immunity. Dr. Coffman received an A.B. in Microbiology from Indiana University and a Ph.D. in Immunology from the University of California, San Diego.

Robert Janssen, M.D. Chief Medical Officer and Vice President, Clinical Development

Dr. Janssen was appointed Chief Medical Officer and Vice President, Clinical Development and Regulatory Affairs in July 2013. He most recently served as Dynavax's Vice President, Medical Affairs since November 2012 and was previously Senior Director, Clinical Development at Dynavax from 2010 through 2012, during which time he was extensively involved with Phase 3 clinical development of HEPLISAV-B and its U.S. and European licensing applications. Prior to joining Dynavax, Dr. Janssen was Vice President, Medical Affairs at Gilead from 2008 to 2010 where he was responsible for oversight of physician and health care provider education focused on

HIV and hepatitis B therapies. Until 2008, Dr. Janssen spent 23 years at the U.S. Centers for Disease Control and Prevention (CDC), most recently as the Director of the Division of HIV/AIDS Prevention from 2000 to 2008. Under his leadership, the CDC first explored HIV treatment as a mode of HIV prevention and launched several of the earliest Phase 3 trials of pre-exposure prophylaxis for HIV. Dr. Janssen received a Bachelor of Arts degree with Honors in Humanities from Stanford University and his M.D. degree from the University of Southern California. He is a neurologist with training in virology received at the University of Pennsylvania. Dr. Janssen has been the beneficiary of numerous honors and awards during his career. He has published over 130 scientific articles in a variety of journals and has served as a reviewer for leading scientific journals.

David F. Novack Senior Vice President, Operations and Quality

Mr. Novack joined Dynavax in March 2013 as Senior Vice President, Operations and Quality. Mr. Novack was formerly with Novartis Vaccines & Diagnostics where he served since 2009 as the Global Head of Technical Operations and Supply Chain for Diagnostics and previously from 2007 to 2009 as the Global Head of Vaccine Manufacturing Strategy. Prior to Novartis, Mr. Novack was the Vice President, Business Development for Vaxin, Inc., a vaccine company, from 2004 to 2006. From 1993 until 2004, Mr. Novack worked at MedImmune, formerly Aviron, serving in several capacities including business development, manufacturing, contract operations and most recently as Senior Director, Supply Chain Operations. Previously, from 1989 to 1993, Mr. Novack was with American Cyanamid Company in various roles. Mr. Novack received a B.S. in Biology from State University of New York and an M.B.A. from Columbia University.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis discusses our executive compensation philosophy and practices and provides an overview of the Compensation Committee's 2016 decisions for the following named executive officers (NEOs) whose compensation is set forth in the Summary Compensation Table and other related tables contained in this proxy statement:

Eddie Gray, Chief Executive Officer and Director;

Michael S. Ostrach, Senior Vice President, Chief Financial Officer and Chief Business Officer;

Robert L. Coffman, Ph.D., Senior Vice President and Chief Scientific Officer;

Robert Janssen, M.D., Chief Medical Officer and Vice President, Clinical Development; and

David F. Novack, Senior Vice President, Operations and Quality.

We present this Compensation Discussion and Analysis in the following sections:

- 1. Executive Summary.** Provides an overview of our 2016 and early 2017 corporate performance, certain governance aspects of our executive compensation program and the Compensation Committee's response to stockholder feedback. p. 37
- 2. Executive Compensation Program.** Describes the Company's executive compensation philosophy and process and the material elements of our executive compensation program. p. 40
- 3. 2016 Executive Compensation Decisions.** Provides a synopsis of the Compensation Committee's executive compensation decisions for 2016 and certain actions taken before or after 2016 when doing so enhances the understanding of our executive compensation program. p. 44
- 4. Other Executive Compensation Matters.** Reviews the accounting and tax treatment of compensation and the relationship between our compensation program and risk. p. 48

Executive Summary

Business Overview, Corporate Developments in 2016 and Early 2017 and Relationship to Executive Compensation

We are a clinical-stage immunotherapy company focused on leveraging the power of the body's innate and adaptive immune responses through toll-like receptor (TLR) stimulation. Our current product candidates are being investigated for use in multiple cancer indications, as a vaccine for the prevention of hepatitis B and as a disease modifying therapy for asthma. Our lead product candidates are SD-101, an investigational cancer immunotherapeutic in several phase 1/2 studies and HEPLISAV-B, a Phase 3 investigational adult hepatitis B vaccine. Given the nature of our Company, we believe delivery of long term value to our shareholders is the best measure of our performance.

Heading into 2016, we had diversified our portfolio such that our focus for the year was balanced between obtaining U.S. Food and Drug Administration (FDA) approval of HEPLISAV-B and advancing our oncology program. As a result of this diversification, we viewed our success in 2016 and beyond as being based on our progress regarding HEPLISAV-B and our oncology program. Thus, we designed our 2016 executive compensation program to reward achievement of the specific related objectives we believed would advance our business strategy and create long-term value for our stockholders. In particular, our 2016 annual incentive program was aligned with our corporate objectives by selecting corporate goals as follows:

Commercialization goals for HEPLISAV-B were weighted at 35%,

Objectives specific to advancing our oncology pipeline were weighted at 35%, and

Quality and other business plan goals that supported advancing our business and portfolio strategies were weighted at 30% together. Our NEOs were focused on executing our business strategy of transforming the Company into a commercial organization by obtaining FDA approval of HEPLISAV-B and successfully launching it, advancing a robust pipeline of immuno-oncology clinical stage development programs and discovering other cutting edge TLR-based vaccines and immunotherapies.

During 2016 and early 2017, the Company had a number of positive developments, including continued progress in our oncology program, as reflected by encouraging early data. The positive developments regarding oncology coupled with the receipt of a Complete Response Letter from the FDA regarding HEPLISAV-B in late 2016, led us to reshape our business strategy in early 2017 to place greater emphasis on advancing our immuno-oncology program, while maintaining sufficient resources to advance HEPLISAV-B toward an FDA approval decision in 2017. Key events that took place for our Company in 2016 and early 2017 are reflected below. This was against the backdrop of a difficult year for the biotechnology industry, as reflected in a 22% decrease in the NASDAQ Biotechnology Index during 2016.

On January 4, 2016, our closing stock price was \$23.15.

Following completion of the HBV-23 study for HEPLISAV-B in late 2015, we announced top-line results from that study in January 2016, and prepared our Biologics License Application (BLA).

After-market close on March 30, 2016, we announced that the FDA had accepted for review our BLA for HEPLISAV-B and established September 15, 2016 as the Prescription Drug User Fee Act (PDUFA) action date, that is, the deadline by which the FDA would review our application. Our closing stock price on March 31, 2016 was \$19.24.

After-market close on April 18, 2016, we announced encouraging data from Part 1 of our Phase 1/2 lymphoma study (LYM-01). Our LYM-01 study is evaluating our lead immunotherapy product candidate, SD-101, in combination with low-dose radiation in lymphoma patients. The data was presented at the American Association for Cancer Research Annual Meeting. Our closing stock price on April 19, 2016 was \$22.74.

On April 27, 2016, we announced that, upon request of the FDA, we had submitted individual trial data sets that had been provided as integrated data in our March 2016 BLA resubmission and that the FDA would need more time to complete its review of our BLA for HEPLISAV-B and had extended the PDUFA action date by three months to December 15, 2016. Our closing stock price on April 27, 2016 was \$18.53.

After-market close on August 5, 2016, we announced that the Vaccines and Related Biological Products Advisory Committee (VBRPAC) will review our BLA for HEPLISAV-B at its November 16, 2017 meeting. On August 8, 2016, our closing stock price fell to \$15.59.

After-market close on September 4, 2016, we received notification from the FDA that it had cancelled the scheduled November 16, 2017 VBRPAC meeting to review the BLA for HEPLISAV-B. In discussions that followed between the FDA and Dynavax, the agency communicated decisions to enable compliance with the PDUFA date of December 15, 2016, and remaining questions would be addressed between Dynavax and the review team via the normal process. On September 6, 2016, our closing stock price fell to \$14.00.

On October 9, 2016, we announced the first findings from an ongoing Phase 1/2 study evaluating SD-101, Dynavax's intratumoral TLR9 agonist, in combination with Keytruda (pembrolizumab), Merck's anti-PD-1 treatment. Early results evaluating five patients with metastatic melanoma for efficacy and sixteen patients for safety were reported. On October 11, 2016, our closing stock price was \$10.48.

On November 14, 2016, we announced that we received a Complete Response Letter (CRL) from the FDA regarding our BLA for HEPLISAV-B. The FDA issues CRLs to communicate that it has completed a review cycle of an application and to request additional information for review and approval. The CRL we received in November 2016 asked for information regarding several topics, acknowledged that the FDA had not yet completed its review of responses received from us in early October 2016 and did not request additional clinical trials. On November 14, 2016, our closing stock price was \$4.10.

On December 5, 2016, we announced clinical data from an ongoing Phase 1/2, two-part clinical trial evaluating intratumoral administration of SD-101 in the treatment of low-grade lymphoma. The combination of intratumoral SD-101 and low-dose irradiation resulted in tumor regression in untreated tumor sites as well as in the treated tumors. Treatment was well tolerated and changes in T cell populations consistent with stimulation of anti-tumor immunity were observed in the treated lesions. These data were presented in a poster session at the 58th American Society of Hematology (ASH) Annual meeting. On December 5, 2016, our closing stock price was \$5.15.

On January 5, 2017, we announced that we were reshaping our strategy and operations to prioritize our emerging clinical and preclinical immuno-oncology portfolio. We implemented significant organizational restructuring and cost reductions to align around our immuno-oncology business, while allowing us to advance HEPLISAV-B through the FDA review process and an approval decision. To achieve these savings, we suspended manufacturing for HEPLISAV-B and reduced our global workforce by 38%, which we estimate will result in approximately a 40% reduction in cash burn. On January 5, 2017, our closing stock price was \$4.20.

After-market close on February 28, 2017, we announced that the FDA had accepted for review our responses to the CRL issued in November 2016 for the BLA for HEPLISAV-B and that the FDA had established August 10, 2017 as the PDUFA action date. On March 1, 2017, our closing stock price was \$6.90.

While 2016 was a year of many positives, including the Company having achieved certain commercialization-related activities for approval and launch of HEPLISAV-B (HEPLISAV-B objectives comprised 35% of the corporate goals under our annual cash incentive program), successfully delivered the corporate goals related to advancing our oncology programs (35% of the corporate goals under our annual cash incentive program), and achieved the quality (15% of the corporate goals under our annual cash incentive program) and other business plan goals that supported advancing our business and portfolio strategies (15% of the corporate goals under our annual cash incentive program), our Compensation Committee decided, with support from the NEOs, that it would be

inappropriate to pay any annual cash incentive compensation bonuses to the NEOs in light of the fact that HEPLISAV-B was not approved and the dramatic decline in our stock price. Therefore, no annual incentive cash awards were paid for 2016 performance. Further, the 2016 performance-based RSUs that were granted to the NEOs terminated without vesting because the vesting was contingent on FDA approval of HEPLISAV-B upon completion of the FDA's review of the 2016 BLA submission. In addition, none of our NEOs received base salary increases for 2017.

Given the decisions not to pay any 2016 annual cash incentive bonuses and not to increase base salaries together with the Company's restructuring in early 2017, it was imperative to stabilize the business and retain key talent, including our NEOs, in the organization. Our Compensation Committee determined it was necessary to grant retention equity awards to maintain employee and management continuity while refocusing our strategic activities to prioritize our emerging clinical and preclinical immuno-oncology portfolio while still allowing us to advance HEPLISAV-B through the FDA review process and an approval decision. The provision of retention grants was consistent with feedback we received from shareholders during our outreach efforts regarding the importance of retaining key talent to support the long term success of the Company. To that end, in February 2017, the Compensation Committee determined that it was appropriate to approve special retention grants for certain employees, including our NEOs. The retention grants vest over two years, to link vesting with individuals' leadership through a critical period for the Company. We view the retention grants to NEOs as a unique, one-time event to meet the needs of our transition and path forward as a business. We continue to carefully evaluate our compensation arrangements to move our company forward and ensure that our pay program aligns our executives' compensation with our stockholders' interests and our company performance over the long-term.

Compensation Governance Highlights

What we do	What we do not do
Design executive compensation program to align pay with performance	No excessive change in control or severance payments (no cash severance multiplier greater than 2x base + target bonus)
Majority of pay is variable and not guaranteed (over 79% for our Chief Executive Officer in 2016)	No repricing of underwater stock options without stockholder approval
Prohibit hedging and discourage pledging by executive officers and directors (no pledging in 2016)	No tax gross-ups
Grant equity awards with performance-based vesting (starting in 2016)	No perquisites
Conduct an annual say-on-pay vote (starting in 2016)	No guaranteed bonuses
Seek input from, listen to and respond to stockholders	

Consideration of Our Prior Say-on-Pay Votes and Related Stockholder Engagement

We held our first stockholder advisory vote on executive compensation, commonly referred to as a say-on-pay vote, at our 2011 stockholder annual meeting. At that meeting, over 99% of the shares that were voted on this proposal were cast in favor of our say-on-pay proposal. At that time, our stockholders also voted in favor of holding a say-on-pay vote once every three years and subsequently, our Board adopted a policy consistent with that preference. Accordingly, we held our second say-on-pay vote at our 2014 stockholder annual meeting and at that meeting, over 64% of the shares that were voted on this proposal were cast in favor of our say-on-pay proposal. In

the absence of a say-on-pay vote in 2015, we received feedback from our stockholders on our executive compensation program in connection with the reelection of our Compensation Committee members, who each received support from approximately 69% of the shares cast. In February 2016, as part of a number of corporate governance improvements made in response to feedback from our stockholders and the proxy advisory firms, our Board of Directors adopted a policy changing the frequency of our say-on-pay vote from once every three years to every year and therefore we held a say-on-pay vote at our 2016 stockholder annual meeting and at that meeting, over 70% of the shares that were voted on this proposal were cast in favor of our say-on-pay proposal.

As a result of our prior say-on-pay votes and the level of support for the reelection of our Compensation Committee members in 2015, we have continued to solicit feedback from our stockholders regarding our executive compensation program. We consider the stockholder feedback process as being a year round activity. Thus, we obtained feedback from our stockholders throughout the course of the year in 2016, and will do so again in 2017, having already received feedback from several stockholders in 2017. As part of our annual feedback program, we contacted 16 of our largest stockholders in the fall, and we spoke with 100% of the shareholders that wanted to provide us with feedback at that time. The bulk of the shareholders, while appreciating the outreach, did not feel a need to talk in the fall. We also spoke with the two proxy advisory firms and analyzed the reports they issued for our 2016 stockholder annual meeting. Our stockholders commented positively on our use of performance-based equity awards (in some cases acknowledging the difficulty of setting performance goals for companies in the biotechnology industry) and the transparency we provided last year with respect to the corporate and individual goals underlying our annual incentive program. The stockholders also spoke about the importance of retaining management and other key personnel. As a result of the feedback we received, the Compensation Committee decided to again grant 20% of each NEO's equity compensation in 2017 in the form of a performance-based RSU and to provide retention grants to NEOs and other key employees.

Executive Compensation Program

Philosophy and Objectives

We believe our NEOs' compensation should align our executives' success with that of our stockholders over the long-term through achievement of strategic corporate objectives that are fundamental to our business model and that will create long-term stockholder value. Our executive compensation programs are designed to be competitive with our peer group to enable us to attract, motivate, reward, and retain outstanding talent. Our compensation programs are based on the following key principles:

A significant component of pay is linked with performance and the achievement of our strategic goals.

Alignment of our executives' interests with those of our stockholders through equity compensation.

Overall compensation that is competitive in the industry in which we compete for executive talent.

Recognition of individual contributions, teamwork and corporate performance.

Compensation-Setting Process

Role of the Compensation Committee and Management

The Compensation Committee oversees and administers our executive compensation programs. The Compensation Committee acts pursuant to a charter adopted by our Board, which can be found at our website, www.dynavax.com.

The Compensation Committee approves our corporate goals and the individual goals of our NEOs after considering the Company's recommendations on these matters. The Compensation Committee annually reviews the base salaries, cash incentives and equity compensation of our NEOs and periodically reviews other elements of our compensation. Compensation decisions are based primarily on the following:

Peer and Industry Data The Compensation Committee uses peer and industry data provided by its consultant, Arnosti Consulting Inc. (Arnosti), as a reference in setting base salaries and target cash compensation, determining appropriate levels and mix of equity compensation and determining the type and portion of compensation tied to performance goals.

Annual Performance Reviews The Chair of the Compensation Committee conducts annual performance reviews of our CEO taking into consideration feedback obtained during the course of the year from the independent members of our Board and the CEO's direct reports. Our CEO conducts and presents the performance reviews of the other NEOs to the Compensation Committee after the end of each fiscal year. In reviewing and determining the compensation of each NEO, the Compensation Committee also considers individual factors, such as: potential for future contributions to Company growth, industry experience and retention concerns.

CEO Recommendations The Compensation Committee seeks input from our CEO for setting the salary and target cash compensation levels for the other NEOs, and also for purposes of setting annual performance metrics and target amounts under the Annual Incentive Program.

Role of Compensation Consultant

Arnosti was engaged by the Compensation Committee in 2010 as its independent compensation consultant. Since then, the Compensation Committee has met regularly with Arnosti, both with and without management present, depending upon the topic being discussed.

In April 2016 and again in February 2017, the Compensation Committee reviewed whether the work of Arnosti as a compensation consultant raised any conflict of interest, taking into consideration the following factors:

The provision of other services to the Company;

The amount of fees paid to Arnosti by the Company;

Arnosti's policies and procedures that are designed to prevent conflicts of interest;

Any business or personal relationship of Arnosti or the individual compensation advisors employed by Arnosti with an executive officer of the Company; and

Any Company stock owned by Arnosti or the individual compensation advisors employed by Arnosti.

Based on the Compensation Committee's review of this information, it determined the work of Arnosti and the individual compensation advisors employed by Arnosti as compensation consultants in support of the specific analyses and needs of the Compensation Committee in its efforts for fiscal year 2016, did not create any conflict of interest. The Compensation Committee has the sole authority to direct, terminate or continue Arnosti's services, although the Company pays the cost for Arnosti's services.

In 2016, Arnosti provided advice to the Compensation Committee on several different aspects of its responsibilities related to our compensation programs and practices. Specifically, during 2016, Arnosti assisted the Compensation Committee as follows:

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Reviewed and analyzed compensation levels of our NEOs in comparison to those of our peer companies;

Provided general information concerning executive compensation trends and developments;

Provided recommendations to the Compensation Committee on refining our peer group;

Provided an assessment of the annual meeting voting results;

Provided the Board with a review of competitive data from the peer group on Board compensation; and

Reviewed the Compensation Discussion and Analysis for inclusion in our proxy statement.

2016 Peer Group

Our Compensation Committee uses a peer group for a general understanding of market compensation practices and our positioning within the peer group. Our Compensation Committee believes that over-reliance on benchmarking could result in compensation that is unrelated to the value delivered by the NEOs because compensation benchmarking does not take the specific performance of the NEOs, or the performance of the Company, into account.

Our Compensation Committee does not have a specific target compensation level for the NEOs or otherwise use a formulaic approach to setting pay at a particular positioning within the market data; rather, the Compensation Committee reviews a range of market data reference points of the Company's peer group (generally at the 25th, 50th, 60th, and 75th percentiles of the market data) with respect to total target cash compensation (including both base salary and the annual target performance bonus) and equity compensation (valued based on an approximation of grant date fair value and also considered as shares as a percentage of total common shares outstanding) to support its compensation decisions.

In October 2015, our Compensation Committee approved a peer group of biotechnology companies at a similar stage of product development with which we compete for executive talent that were of similar size to the Company in terms of market capitalization, product portfolio, pipeline and number of employees. To align with our strategic plan, which included commercialization of HEPLISAV-B and expansion of our pipeline with early clinical development in cancer immunotherapy, our peer group included companies that were:

both oncology and non-oncology focused,

companies that had their own manufacturing operations, and

approximately half of the companies in our 2016 peer group were commercial companies.

The change in our peer group from 2015 to 2016 included removing 17 companies for various reasons including market caps that were out of range, commercial stage, or that the company had been acquired. As of September 2015, which was shortly before the 2016 peer group was approved, the companies in the 2016 peer group had market capitalizations between ranging from \$807 million to \$7.2 billion and the median market capitalization of our peer group was \$1.3 billion. At that time, our market capitalization was \$1.1 billion. The following table lists our 2016 peer group.

Aduro Biotech, Inc.	Clovis Oncology, Inc.	ImmunoGen, Inc.	NewLink Genetics Corporation
Anacor Pharmaceuticals, Inc.	DepoMed Inc.	Juno Therapeutics, Inc.	Novavax, Inc.
Ariad Pharmaceuticals Inc.	Emergent BioSolutions, Inc.	Kite Pharma, Inc.	Puma Biotechnology, Inc.
Array BioPharma, Inc.	Epizyme, Inc.	MacroGenics, Inc.	Repligen Corporation
BioCryst Pharmaceuticals, Inc.	Exelixis, Inc.	Medivation, Inc.	Seattle Genetics Inc.
Celldex Therapeutics, Inc.	Heron Therapeutics, Inc.	Nektar Therapeutics	Ziopharm Oncology, Inc.

Elements of Executive Compensation

Our executive team continues to manage a changing and increasingly complex business. We strive to recognize these efforts by compensating our NEOs for the demands and risks associated with our business through three primary elements that are designed to reward performance in a simple and straightforward manner – base salaries,

annual performance-based cash incentives and long-term equity awards. During our 2015 stockholder outreach, our key stockholders expressed support for the elements of our executive compensation program, including our continued use of stock options as one portion of long-term equity awards. However, several stockholders also recommended granting a portion of long-term equity awards with performance-based vesting. As reflected in the chart below, we responded to the feedback from our stockholders by introducing performance-based vesting for a portion of our 2016 long-term equity awards.

The table below summarizes the purpose and key characteristics of each of our compensation elements.

Element	Purpose	Key Characteristics
Base salary	Provides a fixed level of compensation for performing the essential day-to-day elements of the job; gives executives a degree of certainty in light of having a majority of their compensation at risk.	Fixed compensation that is reviewed annually and adjusted if and when appropriate; reflects each NEO's performance, experience, skills, level of responsibility and the breadth, scope and complexity of the position as well as the competitive marketplace for executive talent specific to our industry.
Annual Incentive Program	Motivates executive officers to achieve corporate and individual business goals, which we believe increase stockholder value, while providing flexibility to respond to opportunities and changing market conditions.	Annual cash incentive based on corporate and individual performance compared to pre-established goals. Our CEO's incentive is based entirely on corporate goals. Corporate goals focus on overarching objectives for the Company, while individual objectives represent key performance expectations at the departmental or individual level.
Long-Term Equity Incentives (Stock Option)	Motivates executive officers to achieve our business objectives by tying incentives to the appreciation of our common stock over the long term.	Corporate goals are aligned with our business strategy and weighted by relative importance so that achievement can be objectively measured. Stock options with an exercise price equal to or greater than the fair market value on the date of grant vesting over three years; the ultimate value realized, if any, depends on the appreciation of our common stock price and if our stock price does not appreciate, there is no value realized. In determining the aggregate size of equity grants in any given year, the Compensation Committee generally considers the same factors described above under "Base Salaries" as well as the criticality of the executive to the long-term achievement of corporate goals.

Element	Purpose	Key Characteristics
Long-Term Equity Incentives (RSUs)	Motivates executive officers to achieve our corporate objectives by tying compensation to the performance of our common stock over the long term and/or the achievement of business and clinical development goals over the long term; motivates our executive officers to remain with the Company by mitigating swings in incentive values during periods when market volatility weighs on our stock price.	Restricted stock unit awards may vest based on continued service over a specified period of time and/or achievement of performance goals; the ultimate value realized varies with our common stock price. In February 2016, 20% of our executive officers' annual grants were performance-based restricted stock unit awards vesting solely upon approval of HEPLISAV-B based on the 2016 BLA submission.
Other compensation	Our executive officers participate in the same benefits offered to all other employees, which promote employee health and welfare and assist in attracting and retaining our executive officers.	Indirect compensation element consisting of programs such as medical, vision, dental, life and accidental death, long-term care and disability insurance as well as a 401(k) plan with a Company matching contribution, and other plans and programs made available to eligible employees.
Severance and Change in Control Benefits	Serves our retention objectives by helping our named executive officers maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event of a transaction that could result in a change in control of our Company.	Provides protection in the event of a termination of employment under specified circumstances, including following a change in control of our Company as described below under Potential Payments Upon Change in Control or Involuntary Termination.

2016 Executive Compensation Decisions

Total Target Cash Compensation Base Salaries and Target Bonus Percentages

When determining 2016 base salary and target bonus percentage adjustments, the Compensation Committee considered each individual's performance and Company performance, each individual's industry experience and tenure, internal pay equity, and retention concerns. The Compensation Committee also reviewed a range of market data reference points (the 10th, 25th, 50th, 60th, 75th and 90th percentiles of peer group data) with respect to total target cash compensation (including both base salary and the annual target performance bonus).

The Compensation Committee decided that for 2016 each NEO's target bonus percentage would remain the same as in 2015 (and 2014) and base salaries would be increased as shown in the table below. In determining NEO compensation, the Compensation Committee takes into account peer group data; each NEO's industry experience, expertise, and tenure with the Company; internal pay equity and the Company's annual salary budget.

Name	2016 Base Salary ⁽¹⁾	% Increase from Prior Year	2016 Target Bonus
Eddie Gray ⁽²⁾	\$ 600,000	6%	60%
Michael S. Ostrach	\$ 425,000	9%	50%
Robert L. Coffman, Ph.D.	\$ 466,796	3%	50%
Robert Janssen, M.D.	\$ 400,000	8%	50%
David F. Novack	\$ 386,250	3%	50%

⁽¹⁾ The NEOs did not receive base salary increases for 2017. Mr. Gray's base salary was increased in 2016 to place his total cash compensation at just below the 50th percentile of the peer group based on 2015 data. Mr. Ostrach was promoted to Senior Vice President in February 2016

and his salary increase placed his total cash compensation above the 60th percentile. Dr. Janssen received a base salary increase to elevate his total cash compensation to the 25th percentile. Dr. Coffman's total cash compensation for 2016 was at the 75th percentile of the peer group. Mr. Novack's total cash compensation was above the 60th percentile.

(2) Mr. Gray's base salary was approved by the full Board of Directors upon the recommendation of the Compensation Committee.

Long-Term Equity Incentive Awards

In making annual long-term equity incentive awards to NEOs in February 2016, the Compensation Committee considered each NEO's total options outstanding as of December 31, 2015, his performance during 2015, the potential amount that could be realized at different hypothetical stock prices upon exercise of those awards and each NEO's percentage of ownership of the Company. The Compensation Committee also reviewed peer group data reference points (the 10th, 25th, 50th, 60th, 75th and 90th percentiles of the market data) with respect to an approximation of grant date fair value and shares as a percentage of total common shares outstanding. The Compensation Committee made final determinations based on its judgment in accordance with our pay-for-performance philosophy and the need to retain and motivate these highly experienced and essential members of our management team.

The Compensation Committee determined to grant approximately 80% of the shares subject to each NEO's total long-term incentive compensation in the form of a stock option and approximately 20% of the shares subject to each NEO's total long-term incentive compensation in the form of an RSU with performance-based vesting.

The Compensation Committee believes stock options are appropriate because of the ultimate value realized, if any, depends on the appreciation of our common stock price and if our stock price does not appreciate, there is no value realized and therefore there is a direct alignment with the long-term interests of our stockholders. The stock options shown in the table below were granted with an exercise price of \$21.99 per share, which was the closing price of our common stock on the grant date in February 2016. Our stock price on the record date was \$5.35, meaning that the 2016 stock option grants are significantly underwater. Our NEOs cannot exercise any of the shares subject to these grants and realize any value.

The performance-based RSUs were granted in response to feedback from our stockholders and would vest solely upon the Compensation Committee's certification of obtaining FDA approval of HEPLISAV-B upon completion of the FDA's review of the 2016 BLA submission. Because we received a CRL in November 2016 rather than the anticipated approval upon completion of the FDA's review of our 2016 BLA submission, all shares subject to these awards terminated without vesting.

Name	Shares Subject to February 2016 Stock Option Awards	Shares Subject to February 2016 Performance-Based RSU Awards
Eddie Gray	280,000	70,000
Michael S. Ostrach	84,000	21,000
Robert L. Coffman, Ph.D.	84,000	21,000
Robert Janssen, M.D.	80,000	20,000
David F. Novack	64,000	16,000

As described above, in early 2017, our Compensation Committee approved two equity grants to certain key employees, including our NEOs, in an effort to maintain employee and management continuity while refocusing our strategic activities to prioritize our emerging clinical and preclinical immuno-oncology portfolio while still allowing us to advance HEPLISAV-B through the FDA review process and an approval decision. As noted above, stockholder feedback following receipt of the FDA CRL recognized the importance of retaining the management

team and other key talent needed to continue advancing our oncology program and thereby drive long-term shareholder value. Specifically, our Compensation Committee considered the following contributions of our NEOs:

Mr. Gray is vital to the success of our shifted strategic focus given his proven leadership with the Company and his role in redeveloping our corporate strategy to prioritize our emerging clinical and preclinical immuno-oncology portfolio.

Mr. Ostrach's experience managing our finance, accounting, business development, intellectual property and investor relations functions is crucial to our business going forward. Our ability to execute on our business plan is contingent on the Company raising the money we need to pursue our strategic plan. Mr. Ostrach has a proven track record in accomplishing this.

Dr. Coffman's role in advancing SD-101, DV281 and the other elements of our preclinical immuno-oncology portfolio is critical to our ability to execute our new corporate strategy.

Dr. Janssen's experience with HEPLISAV-B, running our clinical trial program, overseeing the design and conduct of new studies for oncology and managing our regulatory team is critical to the success of our business.

Mr. Novack's role overseeing an international manufacturing, quality and supply chain organization for HEPLISAV-B and our immuno-oncology portfolio is critical to our ability to execute our corporate strategy.

We view the grants listed below as a unique, one-time event to meet the needs of our transition and path forward as a business.

Name	Shares Subject to 2017 RSU Retention Grant ⁽¹⁾	Shares Subject to 2017 RSU Annual Grant ⁽²⁾
Eddie Gray	300,000	138,750
Michael S. Ostrach	199,218	31,875
Robert L. Coffman, Ph.D.	218,810	31,875
Robert Janssen, M.D.	187,500	31,875
David F. Novack	181,054	31,875

⁽¹⁾ Half of the retention grants were granted on February 22, 2017. Subject to each individual's continuous service, 50% of the RSUs subject to this grant will vest on February 22, 2018 and the remainder will vest on February 22, 2019. The other half of the retention grants were approved subject to stockholder approval of an amendment of the 2011 Plan to increase the authorized shares available thereunder. If the stockholders approve the amendment, the grants will be made on June 1, 2017 for half of the shares set forth in the table above or, at the election of the individual, stock options in the amount of 1.35 times the number of RSUs set forth in the table. If an individual does not make an election, the grant will be delivered as a RSU. Subject to each individual's continuous service, 50% of the shares subject to each Contingent Retention Grant will vest on June 1, 2018 and the remainder will vest on June 1, 2019.

⁽²⁾ 80% of each of our NEO's 2017 annual grants were time-based restricted stock unit awards granted on February 22, 2017, subject to each individual's continuous service, one-third of the RSUs subject to each annual grant will vest on February 22, 2018, one third will vest on February 22, 2019 and the remainder will vest on February 22, 2020. 20% of each of our NEO's 2017 annual grants were performance-based restricted stock unit awards granted on March 31 2017, vesting upon achievement of certain clinical development objectives.

2016 Annual Incentive Program Structure, Goals and Payout Decision

Structure. Our Chief Executive Officer does not have individual goals separate from the Company's corporate objectives. For our other NEOs, their total cash incentive payout is typically based on a weighting of 50% corporate and 50% individual goals. Our CEO recommends individual goals for each NEO, which are aligned with our business strategy and linked with corporate goals, and our Compensation Committee approves these goals. The individual goals for the NEOs are in addition to the general responsibilities each officer has for managing his respective functional or operational area.

2016 Corporate Goals. In early 2016, the Compensation Committee established the corporate and individual goals described below. We are a clinical-stage biopharmaceutical company and so our corporate goals are directly aligned with the specific strategic objectives, including advancing our development programs, that we believe will create long-term value for stockholders.

Vaccine Advancement: Approval of HEPLISAV-B (35%)	Advancing Oncology (35%)	Quality (15%)	Sustaining the Business Plan (15%)
BLA submission	SD101 - AACR/ASCO	Increase awareness through reporting of industry trends in quality/compliance and conduct seminars on topics of interest	Maintain approximately one year of cash at year end 2016
ACIP WG	LYM2 - MEL1 - ESMP - ASH		Increase market cap at least 10 percent points against an appropriate biotech index
FDA inspection of manufacturing site and 5 investigator sites	Lung cancer with inhaled DV281	Implement GxP policy on risk-managemetn consistent guidance with current FDA/ICH guidance	
Possible VRBPAC	Liver cancer with DV230- Ficoli	Implement GxP policy describing requirements for each state of product development	Implement reporting and infrastructure compliance systems and to support commercial operations, including ERP, sunshine and financial reporting
FDA approval	Intratumoral vaccination with linked CpG and antigens		Hire/retain key positions/employees to maintain critical patyh programs per timeline
Launch	Development of TLR 7/8 agonists for cancer		
	Oncology R&D day		Manage to budget

The terms used, but not defined above, have the following definitions:

ACIP WG is the Centers for Disease Control and Prevention s Advisory Committee on Immunization Practices Working Group.

AACR is the American Association for Cancer Research.

ASCO is the American Society of Clinical Oncology.

ERP is Enterprise Resource Planning.

Payout Decision Use of Negative Discretion. In February 2017, the Compensation Committee decided that it would be inappropriate to pay any annual cash incentive compensation bonuses to our NEOs in light of the dramatic decline in our stock price during 2016 following the CRL for HEPLISAV-B. Although certain corporate goals described above were achieved as well as each NEOs achievement of their individual goals (other than our CEO who had no individual goals), the Compensation Committee did not formally assess the level of achievement of either

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because it determined that there would be no annual incentive cash awards paid for 2016 performance.

Although the 2016 annual incentive cash bonuses were not paid out, each NEO was successful in hiring the key talent in his respective area to support a commercial organization and/or advance our immuno-oncology portfolio and achieved other individual goals as follows:

Michael Ostrach achieved key goals to enable commercialization of HEPLISAV-B and advance the business:

Achieved targeted financial goals, including cash balance, expenditure control within budget and availability of financing for HEPLISAV-B potential commercial launch;

Supervised implementation of Enterprise Resource Planning, information technology infrastructure and financial reporting systems and controls to support potential commercial launch;

Achieved specific patent licensing objectives to facilitate commercial launch and obtained key US patent on use of a CpG based Hepatitis B vaccine; and

Provided strategic input to help advance our oncology program.

Robert Coffman's achievements enabled the Company to achieve oncology related objectives that:

Will enable advancing a new compound into the clinical in 2017;

Continued to advance other early programs in preclinical and early clinical development and

Was a key contributor in enabling presentations of oncology data at key meetings and R&D Day in December 2016.

Robert Janssen's contributions included advancing both HEPLISAV-B and oncology in the clinic:

Completion and submission of the HEPLISAV-B BLA in mid-March 2016, which was two weeks earlier than projected, as well as completed preparation for VBRPAC;

Successfully lead implementation of GCP quality systems in preparation for commercialization;

Completed dosing in an oncology study and initiated two other oncology clinical studies; and

Was a key contributor in enabling presentations of data in both HEPLISAV-B and oncology in key meetings as well as R&D Day in December 2016.

David Novack's achieved key objectives to position the company for commercialization of HEPLISAV-B:

Completion of CMC sections that enabled submission of the HEPLISAV-B BLA;

Manufactured and released drug product for HEPLISAV-B launch;

Completed a number of process improvements and quality systems, which were key activities that enabled a successful FDA inspection at our manufacturing facility; and

Manufacture of clinical trial supply drugs to complete one and initiate two oncology studies.

Other Executive Compensation Matters

Equity Compensation Policies

Our Compensation Committee approves equity awards for NEOs and authorizes the CEO to approve equity awards for all other employees based on approved pools for annual and new hire grants. NEO awards are approved either at a regularly-scheduled meeting of the Compensation Committee or by unanimous written consent. The effective date of the grant is generally the date of the meeting, or the date the last person executes the unanimous written consent.

The exercise price of the stock options is not less than the closing price of our common stock on the NASDAQ Capital Market on the grant date of the stock option. We have no practice of timing grants of stock options or restricted stock awards to coordinate with the release of material

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non-public information, and we have not timed the release of material non-public information for purposes of affecting the value of the compensation awarded to our NEOs or any other employee.

We encourage our NEOs to hold a significant equity interest in our Company, but we have not set specific stock ownership guidelines.

We have a policy that prohibits our executive officers, directors and other members of management from engaging in short sales, transactions in put or call options, hedging transactions or other inherently speculative transactions with respect to our stock.

Tax Effects of Executive Compensation

Our Compensation Committee considers the impact of the deduction limitation imposed by Section 162(m) of the Code in establishing and implementing compensation policies and practices. The Compensation Committee may grant compensation that qualifies as performance-based compensation when it determines that it is in the best interest of the Company, but we have not established a policy that requires all compensation paid to our NEOs to be fully deductible. Rather, the deductibility of such compensation is one of the factors considered in establishing and implementing our executive compensation programs, along with the need to design compensation programs that appropriately motivate our senior management and our goal to attract and retain key executives by remaining competitive in our pay practices.

The Compensation Committee also considers the impact of Section 409A of the Code, and in general, our executive plans and programs are designed to comply with the requirements of that section so as to avoid possible adverse tax consequences that may result from non-compliance.

Accounting Considerations

The accounting impact of our compensation programs is one of many factors that the Compensation Committee considers in determining the structure and size of our executive compensation programs. In general, the Company accounts for equity compensation paid to our employees under the Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation, or ASC 718, which requires us to estimate and record an expense over the service period of the equity award, and our cash compensation is recorded as an expense at the time the obligation is accrued.

Compensation Recovery Policy

Amounts paid and awards granted under our Amended 2011 Plan are subject to recoupment in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and any applicable regulations under the Act, any clawback policy the Company adopts or as is required by applicable law. In addition, as a public company subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our chief executive officer and chief financial officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive. In addition, we will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act once the SEC final regulations on the subject become effective.

Compensation Risk Analysis

During fiscal 2015, our Compensation Committee reviewed our compensation policies as generally applicable to our employees in order to determine whether any such programs were likely to present a material risk to the Company. As part of its assessment, the Compensation Committee considered, among other things, the allocation of compensation among base salary and short- and long-term compensation, our approach to establishing Company-wide and individual financial, operational and other performance targets, and the nature of our key performance metrics. As a result of this review and analysis, the Compensation Committee determined that our policies and programs do not encourage excessive or inappropriate risk taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on the Company.

Report of the Compensation Committee of the Board of Directors on Executive Compensation

In early 2017, the Compensation Committee discussed with management the Compensation Discussion and Analysis, contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The material in this report is not soliciting material, is furnished to, but not deemed filed with, the SEC and is not deemed to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Ms. Peggy V. Phillips, Chairperson

Dr. Francis R. Cano, Ph.D.

Dr. Daniel Kisner, M.D.

SUMMARY COMPENSATION TABLE

The following table shows for the fiscal years ended December 31, 2016, 2015 and 2014, compensation awarded to or paid to, or earned by, NEOs.

Name and Principal Position	Year	Salary	Stock Awards ⁽¹⁾	Option Awards ⁽²⁾	Non-Equity Incentive Compensation ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
Eddie Gray CEO and Director	2016	\$ 600,000	\$	\$ 2,345,840	\$	\$ 2,000	\$ 2,947,840
	2015	\$ 566,500	\$	\$ 3,004,616	\$ 370,491	\$ 2,000	\$ 3,943,607
	2014	\$ 515,000	\$ 855,000	\$ 3,564,909	\$ 432,600	\$	\$ 5,367,509
Michael S. Ostrach Senior Vice President, Chief Financial Officer, Chief Business Officer	2016	\$ 425,000	\$	\$ 703,752	\$	\$ 2,000	\$ 1,130,752
	2015	\$ 390,000	\$	\$ 1,420,353	\$ 228,150	\$ 2,000	\$ 2,040,503
	2014	\$ 354,152	\$ 181,000	\$ 425,331	\$ 221,345	\$	\$ 1,181,828
Robert L. Coffman, Ph.D. Senior Vice President and Chief Scientific Officer	2016	\$ 466,796	\$	\$ 703,752	\$	\$ 2,000	\$ 1,172,548
	2015	\$ 453,200	\$	\$ 1,300,631	\$ 253,792	\$ 2,000	\$ 2,009,623
	2014	\$ 440,000	\$ 42,250	\$	\$ 286,000	\$	\$ 768,250
Robert Janssen, M.D. Vice President and Chief Medical Officer	2016	\$ 400,000	\$	\$ 670,240	\$	\$ 2,000	\$ 1,072,240
	2015	\$ 369,513	\$	\$ 747,816	\$ 206,928	\$ 2,000	\$ 1,326,257
	2014	\$ 358,750	\$ 181,000	\$ 283,554	\$ 246,641	\$	\$ 1,069,945
David F. Novack Senior Vice President, Operations and Quality	2016	\$ 386,250	\$	\$ 536,192	\$	\$ 2,000	\$ 924,442
	2015	\$ 375,000	\$	\$ 1,001,539	\$ 210,000	\$ 2,000	\$ 1,588,539
	2014	\$ 309,000	\$ 362,000	\$ 346,566	\$ 208,575	\$	\$ 1,226,141

(1) Represents the aggregate grant date fair value of RSUs granted in the fiscal year in accordance with ASC 718. See note 13 of our Notes to Consolidated Financial Statements in our annual report on Form 10-K filed with the SEC on March 13, 2017 for a discussion of assumptions we made in determining the compensation costs included in this column. With regard to RSUs with performance-based vesting, the grant date fair value assumes probable outcome of achievement of related performance conditions. The grant date fair value for RSUs with performance-based vesting, assuming the highest level of achievement had been met, is as follows:

Name	RSUs with Performance-Based Vesting 2016
Eddie Gray	\$ 1,539,300
Michael S. Ostrach	\$ 461,790
Robert L. Coffman, Ph.D.	\$ 461,790
Robert Janssen, M.D.	\$ 439,800
David F. Novack	\$ 351,840

As performance milestones were not achieved, performance-based RSUs granted to our NEOs in 2016 terminated without vesting. For further discussion of these performance-based RSUs, see the section entitled Compensation Discussion and Analysis 2016 Executive Compensation Decisions Long-Term Equity Incentive Awards.

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- (2) Represents the aggregate grant date fair value of option awards granted in the fiscal year in accordance with ASC 718. See note 13 of our Notes to Consolidated Financial Statements in our annual report on Form 10-K filed with the SEC on March 13, 2017 for a discussion of assumptions we made in determining the compensation costs included in this column.
- (3) No bonuses were earned pursuant to our annual incentive bonus plan by the NEOs in 2016. For further discussion see the section entitled Compensation Discussion and Analysis 2016 Executive Compensation Decisions Annual Incentive Plan.
- (4) Includes \$2,000 401(k) matching contribution for each NEO made by the Company in 2016.

GRANTS OF PLAN BASED AWARDS

The following table shows certain information regarding grants of plan-based awards to NEOs during the fiscal year ended December 31, 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target⁽¹⁾ (\$)	All Other Stock Awards: Number of Shares of Stock or Units⁽²⁾ (#)	All Other Option Awards: Number of Securities Underlying Options⁽³⁾ (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of RSU and Option Awards⁽⁴⁾ (\$)
Eddie Gray	2/4/2016	\$ 360,000		280,000	\$ 21.99	\$ 2,345,840
	2/4/2016		70,000		\$	\$
Michael S. Ostrach	2/4/2016	\$ 212,500		84,000	\$ 21.99	\$ 703,752
	2/4/2016		21,000		\$	\$
Robert L. Coffman, Ph.D.		\$ 233,398				