DYNAVAX TECHNOLOGIES CORP
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission file number: 001-34207

Dynavax Technologies Corporation

(Exact name of registrant as specified in its charter)

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

2929 Seventh Street, Suite 100

Berkeley, CA 94710-2753

(510) 848-5100

(Address, including Zip Code, and telephone number, including area code, of the registrant's principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

As of August 3, 2015, the registrant had outstanding 38,403,449 shares of common stock.

INDEX

DYNAVAX TECHNOLOGIES CORPORATION

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to a number of risks and uncertainties. All statements that are not historical facts are forward-looking statements, including statements about our ability to successfully develop and achieve regulatory approval for HEPLISAV-B™, our business and collaboration strategy, our intellectual property position, our product development efforts, our ability to commercialize our product candidates, our ability to manufacture commercial supply and meet regulatory requirements, the timing of the introduction of our products, uncertainty regarding our capital needs and future operating results and profitability, anticipated use of and sources of funds as well as our plans, objectives, expectations and intentions. These statements appear throughout this Quarterly Report on Form 10-Q and can be identified by the use of forward-looking language such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “e “predict,” “future,” or “intend,” or the negative of these terms or other variations or comparable terminology.

Actual results may vary materially from those in our forward-looking statements as a result of various factors that are identified in “Item 1A—Risk Factors” and “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this document. No assurance can be given that the risk factors described in this Quarterly Report on Form 10-Q are all of the factors that could cause actual results to vary materially from the forward-looking statements. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Readers should not place undue reliance on these forward-looking statements and are cautioned that any such forward-looking statements are not guarantees of future performance. We assume no obligation to update any forward-looking statements.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
Dynavax Technologies Corporation

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

	June 30, 2015 (unaudited)	December 31, 2014 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$36,486	$49,511
Marketable securities available-for-sale	56,895	73,141
Accounts receivable	657	727
Prepaid expenses and other current assets	3,858	4,058
Total current assets	97,896	127,437
Property and equipment, net	8,887	7,924
Goodwill	2,078	2,277
Restricted cash	613	632
Other assets	20	20
Total assets	$109,494	$138,290
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$2,345	$1,159
Accrued research and development	5,927	6,938
Accrued liabilities	4,746	6,317
Deferred revenues	7,448	5,865
Long-term debt, current portion	1,498	-
Total current liabilities	21,964	20,279
Deferred revenues, net of current portion	3,916	6,900
Long-term debt, net of current portion	7,961	9,559
Other long-term liabilities	1,125	1,070
Total liabilities	34,966	37,808
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock: $0.001 par value		
Authorized: 5,000 shares; Issued and outstanding:		
Series B Convertible Preferred Stock — 17 shares at June 30, 2015 and 43 at December 31, 2014	-	-
Common stock: $0.001 par value; 69,500 shares authorized at June 30, 2015 and December 31, 2014; 30,237 and 26,307 shares issued and outstanding at	30	26

June 30, 2015 and December 31, 2014, respectively		
Additional paid-in capital	719,966	695,058
Accumulated other comprehensive loss	(2,727)	(1,669)
Accumulated deficit	(642,741)	(592,933)
Total stockholders' equity	74,528	100,482
Total liabilities and stockholders' equity	$109,494	$138,290

See accompanying notes.

Dynavax Technologies Corporation

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Collaboration revenue	$930	$2,031	$1,401	$4,404
Grant revenue	101	1,007	249	2,132
Service and license revenue	519	10	527	10
Total revenues	1,550	3,048	2,177	6,546
Operating expenses:				
Research and development	19,686	23,639	41,906	36,870
General and administrative	5,098	4,085	9,957	8,242
Unoccupied facility expense	-	178	-	255
Total operating expenses	24,784	27,902	51,863	45,367
Loss from operations	(23,234)	(24,854)	(49,686)	(38,821)
Other income (expense):				
Interest income	18	55	45	120
Interest expense	(263)	-	(510)	-
Other (loss) income, net	(112)	22	343	84
Net loss	$(23,591)	$(24,777)	$(49,808)	$(38,617)
Basic and diluted net loss per share	$(0.80)	$(0.94)	$(1.70)	$(1.47)
Weighted average shares used to compute basic and diluted net loss per share	29,335	26,286	29,230	26,286

Dynavax Technologies Corporation

Condensed Consolidated Statements of Comprehensive Loss

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$(23,591)	$(24,777)	$(49,808)	$(38,617)

Other comprehensive income (loss):				
Unrealized (loss) gain on marketable securities available-for-sale	(9)	1	(1)	70
Cumulative foreign currency translation adjustments	237	(97)	(1,057)	(106)
Total other comprehensive income (loss)	228	(96)	(1,058)	(36)
Total comprehensive loss	$(23,363)	$(24,873)	$(50,866)	$(38,653)

See accompanying notes.

Dynavax Technologies Corporation

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Operating activities		
Net loss	$(49,808)	$(38,617)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	634	680
Gain on disposal of property and equipment	-	(24)
Accretion of discounts and amortization of premiums on marketable securities	314	500
Unoccupied facility expense	-	255
Accretion of debt discount related to debt financing	(100)	-
Accretion of end of term payment related to debt financing	107	-
Cash-settled portion of stock-based compensation expense	387	-
Stock compensation expense	3,872	2,946
Changes in operating assets and liabilities:		
Accounts receivable	70	335
Prepaid expenses and other current assets	200	(3,603)
Restricted cash and other assets	-	(579)
Accounts payable	648	112
Accrued liabilities and other long term liabilities	(2,634)	3,217
Deferred revenues	(1,401)	996
Net cash used in operating activities	(47,711)	(33,782)
Investing activities		
Purchases of marketable securities	(18,654)	(37,251)
Proceeds from maturities of marketable securities	34,585	65,794
Purchases of property and equipment, net	(1,668)	(919)
Net cash provided by investing activities	14,263	27,624
Financing activities		
Proceeds from issuance of common stock, net	20,213	-
Proceeds from exercise of stock options and restricted stock awards	109	13
Proceeds from exercise of warrants	228	-
Proceeds from Employee Stock Purchase Plan	103	70
Net cash provided by financing activities	20,653	83
Effect of exchange rate changes on cash and cash equivalents	(230)	(15)
Net decrease in cash and cash equivalents	(13,025)	(6,090)
Cash and cash equivalents at beginning of period	49,511	23,122
Cash and cash equivalents at end of period	$36,486	$17,032
Supplemental disclosure of cash flow information		
Non-cash investing and financing activities:		
Cash paid during the year for interest	$433	$-
Disposal of fully depreciated property and equipment	$4	$664

Net change in unrealized gain on marketable securities	$(1)	$70

See accompanying notes.

Dynavax Technologies Corporation

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Summary of Significant Accounting Policies

Dynavax Technologies Corporation ("we," "our," "us," "Dynavax" or the "Company") is a clinical-stage biopharmaceutical company that uses toll-like receptor ("TLR") biology to discover and develop novel vaccines and therapeutics. Our development programs are organized under our three areas of focus: vaccine adjuvants, cancer immunotherapy, and autoimmune and inflammatory diseases. We were incorporated in California in August 1996 under the name Double Helix Corporation, and we changed our name to Dynavax Technologies Corporation in September 1996. We reincorporated in Delaware in 2000.

Basis of Presentation

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. In our opinion, these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary to present fairly our financial position and the results of our operations and cash flows. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. Interim-period results are not necessarily indicative of results of operations or cash flows to be expected for a full-year period or any other interim-period. The condensed consolidated balance sheet at December 31, 2014, has been derived from audited financial statements at that date, but excludes disclosures required by GAAP for complete financial statements.

The unaudited condensed consolidated financial statements and these notes should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission (the "SEC").

The unaudited condensed consolidated financial statements include the accounts of Dynavax and our wholly-owned subsidiaries, Dynavax GmbH (formerly known as Rhein Biotech GmbH) and Dynavax International, B.V. Dynavax International, B.V. was dissolved in January 2015. All significant intercompany accounts and transactions, among consolidated entities, have been eliminated. We operate in one business segment: the discovery and development of biopharmaceutical products.

Liquidity and Financial Condition

We have incurred significant operating losses and negative cash flows from operations since our inception. As of June 30, 2015, we had cash, cash equivalents and marketable securities of $93.4 million. We currently estimate that we have sufficient cash resources to meet our anticipated cash needs through at least the next 12 months based on cash, cash equivalents and marketable securities on hand as of June 30, 2015 and anticipated revenues, funding from existing collaboration agreements and proceeds from financing arrangements.

We expect to continue to spend substantial funds in connection with the development and manufacturing of our product candidates, particularly HEPLISAV-B™ and our investigational cancer immunotherapeutic product candidate, SD-101, human clinical trials for our other product candidates and additional applications and advancement

of our technology. In order to continue these activities, we may need to raise additional funds. This may occur through strategic collaboration and licensing arrangements and/or future public or private debt and equity financings. Sufficient additional funding may not be available on acceptable terms, or at all. If adequate funds are not available in the future, we may need to delay, reduce the scope of or put on hold the HEPLISAV-B program or our other development programs while we seek strategic alternatives.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make informed estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates.

Reverse Stock Split

All references to numbers of shares of our common stock and per-share information in the accompanying financial statements have been adjusted retroactively to reflect the Company’s ten-for-one reverse stock split effected on November 7, 2014. The par value was not adjusted as a result of the reverse stock split.

Summary of Significant Accounting Policies

There have been no significant changes in our significant accounting policies during the six months ended June 30, 2015, as compared with those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Revenue Recognition

Our revenues consist of amounts earned from collaborations, grants and fees from services and licenses. We enter into license and manufacturing agreements and collaborative research and development arrangements with pharmaceutical and biotechnology partners that may involve multiple deliverables. Our arrangements may include one or more of the following elements: upfront license payments, cost reimbursement for the performance of research and development activities, milestone payments, other contingent payments, contract manufacturing service fees, royalties and license fees. Each deliverable in the arrangement is evaluated to determine whether it meets the criteria to be accounted for as a separate unit of accounting or whether it should be combined with other deliverables. In order to account for the multiple-element arrangements, the Company identifies the deliverables included within the arrangement and evaluates which deliverables represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver services, a right or license to use an asset, or another performance obligation. We recognize revenue when there is persuasive evidence that an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured.

Non-refundable upfront fees received for license and collaborative agreements and other payments under collaboration agreements where we have continuing performance obligations related to the payments are deferred and recognized over our estimated performance period. Revenue is recognized on a ratable basis, unless we determine that another method is more appropriate, through the date at which our performance obligations are completed. Management makes its best estimate of the period over which we expect to fulfill our performance obligations, which may include clinical development activities. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period. We recognize cost reimbursement revenue under collaborative agreements as the related research and development costs are incurred, as provided for under the terms of these agreements.

Contingent consideration received for the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is defined as an event having all of the following characteristics: (i) there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, (ii) the event can only be achieved based in whole or in part on either the entity’s performance or a specific outcome resulting from the entity’s performance and (iii) if achieved, the event would result in additional payments being due to the entity.

Our license and collaboration agreements with our partners provide for payments to be paid to us upon the achievement of development milestones. Given the challenges inherent in developing biologic products, there is substantial uncertainty whether any such milestones will be achieved at the time we entered into these agreements. In addition, we evaluate whether the development milestones meet the criteria to be considered substantive. The conditions include: (i) the development work is contingent on either of the following: (a) the vendor’s performance to achieve the milestone or (b) the enhancement of the value of the deliverable item or items as a result of a specific outcome resulting from the vendor’s performance to achieve the milestone; (ii) it relates solely to past performance and (iii) it is reasonable relative to all the deliverable and payment terms within the arrangement. As a result of our analysis, we may consider our development milestones to be substantive and, accordingly, we expect to recognize as revenue future payments received from such milestones as we achieve each milestone.

Milestone payments that are contingent upon the achievement of substantive at-risk performance criteria are recognized in full upon achievement of those milestone events in accordance with the terms of the agreement and

assuming all other revenue recognition criteria have been met. All revenue recognized to date under our collaborative agreements has been nonrefundable.

Our license and collaboration agreements with certain partners also provide for contingent payments to be paid to us based solely upon the performance of our partner. For such contingent payments we expect to recognize the payments as revenue upon receipt, provided that collection is reasonably assured and the other revenue recognition criteria have been satisfied.

Revenues from manufacturing agreements are recognized upon meeting revenue recognition criteria for substantial performance and acceptance by the customer.

Revenue from royalty payments is contingent on future sales activities by our licensees. As a result, we recognize royalty revenue when all revenue recognition criteria have been satisfied.

Revenue from government and private agency grants is recognized as the related research expenses are incurred and to the extent that funding is approved. Additionally, we recognize revenue based on the facilities and administrative cost rate reimbursable per the terms of the grant awards.

Research and Development Expenses and Accruals

Research and development expenses include personnel and facility-related expenses, outside contracted services including clinical trial costs, manufacturing and process development costs, research costs and other consulting services and non-cash stock-based compensation. Research and development costs are expensed as incurred. Amounts due under such arrangements may be either fixed fee or fee for service, and may include upfront payments, monthly payments and payments upon the completion of milestones or receipt of deliverables. Non-refundable advance payments under agreements are capitalized and expensed as the related goods are delivered or services are performed.

We contract with third parties to perform various clinical trial activities in the on-going development of potential products. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows to our vendors. Payments under the contracts depend on factors such as the achievement of certain events, successful enrollment of patients, and completion of portions of the clinical trial or similar conditions. Our accrual for clinical trials is based on estimates of the services received and efforts expended pursuant to contracts with clinical trial centers and clinical research organizations. We may terminate these contracts upon written notice and we are generally only liable for actual effort expended by the organizations to the date of termination, although in certain instances we may be further responsible for termination fees and penalties. The Company makes estimates of its accrued expenses as of each balance sheet date based on the facts and circumstances known to the Company at that time. There have been no material adjustments to the Company’s prior period accrued estimates for clinical trial activities through June 30, 2015.

Recent Accounting Pronouncements

Accounting Standards Update 2014-09

In May 2014, the FASB issued guidance codified in ASC 606, Revenue Recognition — Revenue from Contracts with Customers, which amends the guidance in former ASC 605, Revenue Recognition, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017 (including interim periods within those periods). Early adoption is permitted to the original effective date of December 15, 2016 (including interim periods within those periods). The Company is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

Accounting Standards Update 2014-15

In August 2014, the FASB issued guidance codified in ASC 205, Presentation of Financial Statements — Going Concern. Accounting Standards Update 2014-15 requires an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern and if those conditions exist, to make the required disclosures. The standard is effective for annual periods ending after December 15, 2016, and interim periods therein. The Company does not expect that the adoption of this standard will have a significant impact on its financial statements.

Accounting Standards Update 2015-03

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs related to a recognized debt liability to be

presented in the balance sheet as a direct deduction from the corresponding debt liability rather than as an asset. This ASU will be effective for the Company in fiscal year 2016. Early adoption is permitted. The Company is currently assessing the future impact of this ASU on its financial statements.

2. Fair Value Measurements

The Company measures fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; therefore, requiring an entity to develop its own valuation techniques and assumptions.

The carrying amounts of cash equivalents, accounts receivable, accounts payable and accrued liabilities are considered reasonable estimates of their respective fair value because of their short-term nature. The carrying amount of our long-term debt is considered a reasonable estimate of its respective fair value as it is amortized over its life using the effective interest rate.

Recurring Fair Value Measurements

The following table represents the fair value hierarchy for our financial assets (cash equivalents and marketable securities) measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
June 30, 2015				
Money market funds	$30,847	$-	$ -	$30,847
U.S. government agency securities	-	56,895	-	56,895
Total	$30,847	$56,895	$ -	$87,742

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Money market funds	$46,989	$-	$ -	$46,989
U.S. government agency securities	-	73,141	-	73,141
Total	$46,989	$73,141	$ -	$120,130

Money market funds are highly liquid investments and are actively traded. The pricing information on these investment instruments is readily available and can be independently validated as of the measurement date. This approach results in the classification of these securities as Level 1 of the fair value hierarchy.

U.S. Government agency securities are measured at fair value using Level 2 inputs. We review trading activity and pricing for these investments as of each measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from various third party data providers. These inputs represent quoted prices for similar assets in active markets or these inputs

have been derived from observable market data. This approach results in the classification of these securities as Level 2 of the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2015.

3. Cash, cash equivalents and marketable securities

The following is a summary of cash, cash equivalents and marketable securities available-for-sale as of June 30, 2015 and December 31, 2014 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
June 30, 2015				
Cash and cash equivalents:				
Cash	$ 5,639	$ -	$ -	$ 5,639
Money market funds	30,847	-	-	30,847
Total cash and cash equivalents	36,486	-	-	36,486
Marketable securities available-for-sale:				
U.S. government agency securities	56,895	7	(7)	56,895
Total marketable securities available-for-sale	56,895	7	(7)	56,895
Total cash, cash equivalents and marketable securities	$ 93,381	$ 7	$ (7)	$ 93,381
December 31, 2014				
Cash and cash equivalents:				
Cash	$ 2,522	$ -	$ -	$ 2,522
Money market funds	46,989	-	-	46,989
Total cash and cash equivalents	49,511	-	-	49,511
Marketable securities available-for-sale:				
U.S. government agency securities	73,140	11	(10)	73,141
Total marketable securities available-for-sale	73,140	11	(10)	73,141
Total cash, cash equivalents and marketable securities	$ 122,651	$ 11	$ (10)	$ 122,652

The maturities of our marketable securities available-for-sale are as follows (in thousands):

	June 30, 2015	
	Amortized Cost	Estimated Fair Value
Mature in one year or less	$ 56,895	$ 56,895
Mature after one year through two years	-	-
	$ 56,895	$ 56,895

All of our investments are classified as short-term and available-for-sale, as we may not hold our investments until maturity. Available-for-sale securities are carried at fair value based on inputs that are observable, either directly or indirectly, such as quoted market prices for similar securities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the securities, with unrealized gains and losses included in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are included in interest income or expense. The cost of securities sold is based on the specific identification method. Management assesses whether declines in the fair value of investment securities are other than temporary. In determining whether a decline is other than temporary, management considers the following

factors:

- Whether the investment has been in a continuous realized loss position for over 12 months;
- the duration to maturity of our investments;
- our intention and ability to hold the investments to maturity and if it is not more likely than not that we will be required to sell the investment before recovery of the amortized cost bases;
- the credit rating, financial condition and near-term prospects of the issuer; and
- the type of investments made.

To date, there have been no declines in fair value that have been identified as other than temporary.

4. Commitments and Contingencies

We lease our facilities in Berkeley, California ("Berkeley Lease") and Düsseldorf, Germany ("Düsseldorf Lease") under operating leases that expire in June 2018 and March 2023, respectively. The Berkeley Lease provides for periods of escalating rent. The total cash payments over the life of the lease are divided by the total number of months in the lease period and the average rent is

charged to expense each month during the lease period. We entered into sublease agreements under the Düsseldorf Lease for a certain portion of the leased space. The sublease income is offset against our rent expense.

During September 2013, we decided not to occupy a portion of our facility in Berkeley, California. As a result, we recorded an estimated unoccupied facility expense of $0.9 million during 2013, representing the present value of the rent payments and other costs associated with the lease, net of estimated sublease income, for the remaining life of the operating lease. During the first three quarters of 2014, we reassessed our timing and ability to sublet a portion of our facility and recorded a total unoccupied facility expense of $0.4 million for the year ended December 31, 2014. In December 2014, we decided to utilize the unoccupied portion of the facility and began to recognize rent expense under the terms noted in the Berkeley Lease.

Total net rent expense related to our operating leases for the three month periods ended June 30, 2015 and 2014, was $0.5 million and $0.4 million, respectively. Total net rent expense related to our operating leases for the six month periods ended June 30, 2015 and 2014, was $1.0 million and $0.9 million, respectively. Deferred rent was $0.5 million and $0.6 million as of June 30, 2015 and December 31, 2014, respectively.

Future minimum payments under the non-cancelable portion of our operating leases at June 30, 2015, excluding payments from sublease agreements, are as follows (in thousands):

Years ending December 31,	
2015 (remaining)	$1,144
2016	2,305
2017	2,354
2018	1,299
2019	474
Thereafter	1,540
Total	$9,116

In addition to the non-cancelable commitments included above, we have entered into contractual arrangements that obligate us to make payments to the contractual counterparties upon the occurrence of future events. In addition, in the normal course of operations, we have entered into license and other agreements and intend to continue to seek additional rights relating to compounds or technologies in connection with our discovery, manufacturing and development programs. Under the terms of the agreements, we may be required to pay future up-front fees, milestones and royalties on net sales of products originating from the licensed technologies, if any, or other payments contingent upon the occurrence of future events that cannot reasonably be estimated.

We rely on research institutions, contract research organizations, clinical investigators as well as clinical and commercial material manufacturers of our product candidates. As of June 30, 2015, under the terms of our agreements, including certain agreements relating to the ongoing Phase 3 trial of HEPLISAV-B, we are obligated to make future payments as services are provided of approximately $12.3 million through 2016. These agreements are terminable by us upon written notice. Generally, we are liable only for actual effort expended by the organizations at any point in time during the contract through the notice period.

From time to time, we are involved in claims, suits, and proceedings arising from the ordinary course of our business, including actions with respect to intellectual property claims, commercial claims, and other matters. Such claims, suits, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, such legal proceedings can have an adverse impact on us because of legal costs, diversion of management resources, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in

substantial monetary damage awards, fines and penalties or orders requiring a change in our business practices, which could in the future materially and adversely affect our financial position, results of operations, or cash flows in a particular period.

5. Collaborative Research and Development Agreements

AstraZeneca

In September 2006, we entered into a research collaboration and license agreement with AstraZeneca for the discovery and development of TLR9 agonist-based therapies for the treatment of asthma and chronic obstructive pulmonary disease.

In October 2011, we amended our agreement with AstraZeneca to provide that we will conduct initial clinical development of AZD1419 and AstraZeneca agreed to fund all program expenses to cover the cost of development activities through Phase 2a. Under the terms of the amended agreement, we received an initial payment of $3 million in 2011 to begin the clinical development program. We and AstraZeneca agreed to advance AZD1419 towards a Phase 1 clinical trial, which resulted in a development funding payment of $6 million received in the fourth quarter of 2012.

In January 2014, we amended our agreement with AstraZeneca for the clinical development of AZD1419 whereby responsibility for conducting clinical trials was transferred from Dynavax to AstraZeneca upon completion of the Phase 1 trial. In the first quarter of 2014, we received a $5.4 million payment that was due upon execution of this amendment.

The agreement with AstraZeneca has been amended several times including, most recently, in December 2014. Under the terms of this amendment, AstraZeneca will fully fund and Dynavax will conduct a Phase 2a safety and efficacy trial of AZD1419 in patients with asthma. In the fourth quarter of 2014, we received an $8.0 million payment due upon execution of this amendment, to be applied towards research and development expenses incurred in conducting the Phase 2a study.

Under the terms of this agreement, as amended, we are eligible to receive up to $100 million in additional milestone payments, based on the achievement of certain development and regulatory objectives. Additionally, upon commercialization, we are eligible to receive tiered royalties ranging from the mid to high single-digits based on product sales of any products originating from the collaboration. We have the option to co-promote in the United States products arising from the collaboration, if any. AstraZeneca has the right to sublicense its rights upon our prior consent.

Revenue from the $8.0 million payment received in the fourth quarter of 2014 was deferred and is being recognized as development work is performed, through December 2017. The $5.4 million payment received in the first quarter of 2014 and the $3.0 million initial payment received in 2011 were also deferred and are being recognized over the estimated remaining period of performance of development work, which is approximately 30 months.

The following table summarizes the revenues earned under our agreement with AstraZeneca, included as collaboration revenue in our consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Initial payment	$63	$180	$126	$360
Subsequent payment	237	675	474	1,350
Performance of research activities	630	545	801	1,432
Total	$930	$1,400	$1,401	$3,142

As of June 30, 2015 and December 31, 2014, total deferred revenue from the initial payment, subsequent payment and development funding payments was $11.4 million and $12.8 million, respectively.

Absent early termination, the agreement will expire when all of AstraZeneca's payment obligations expire. AstraZeneca has the right to terminate the agreement at any time upon prior written notice and either party may terminate the agreement early upon written notice if the other party commits an uncured material breach of the agreement.

National Institutes of Health ("NIH") and Other Funding

We have been awarded various grants from the NIH and the NIH's National Institute of Allergy and Infectious Disease ("NIAID") in order to fund research. The awards are related to specific research objectives and we earn revenue as the related research expenses are incurred. We have earned revenue during the periods ended June 30, 2015 and 2014

from the following awards:

- August 2014, NIH awarded us $0.2 million to fund research in developing a transgenic mouse model to study human TLR9 role in disease.
- September 2013, NIH awarded us $0.2 million to fund research in developing TLR antagonists for therapy of hepatic fibrosis and cirrhosis.
- June 2012, NIH awarded us $0.6 million to fund research in screening for inhibitors of TLR8 for treatment of autoimmune diseases.
- May 2012, NIH awarded us $0.4 million to fund development of TLR8 inhibitors for treatment of rheumatoid arthritis.
- August 2010, NIAID awarded us a grant to take a systems biology approach to study the differences between individuals who do or do not respond to vaccination against the hepatitis B virus. This study is one of several projects conducted under a grant to the Baylor Institute of Immunology Research in Dallas as part of the Human Immune Phenotyping Centers program. We have been awarded a total of $1.4 million under this grant.
- September 2008, NIAID awarded us a five-year $17 million contract to develop our ISS technology using TLR9 agonists as vaccine adjuvants. The contract supports adjuvant development for anthrax as well as other disease models.

The following table summarizes the revenues recognized under the various arrangements with the NIH and NIAID (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NIAID contracts	$-	$965	$-	$1,839
All other NIH contracts	101	42	249	293
Total grant revenue	$101	$1,007	$249	$2,132

6. Long-Term Debt

In December 2014, we entered into a Loan and Security Agreement ("Loan Agreement") with Hercules Technology Growth Capital, Inc. ("Hercules") under which we may borrow up to $40.0 million in two tranches.

We drew down the first tranche of $10.0 million upon closing of the transaction on December 23, 2014. The second tranche, of $30.0 million, can be drawn at our option any time prior to September 30, 2015, but only if we have achieved certain milestones relating to the ongoing HEPLISAV–B Phase 3 study ("Milestone A"). Milestone A was achieved in July 2015 as the Data and Safety Monitoring Board ("DSMB") completed its third prespecified review and recommended that the study continue unchanged; however, no additional amounts were drawn down through the date of this quarterly report. We plan to use the proceeds received under the Loan Agreement to provide additional funding for HEPLISAV–B development and pre-commercialization activities, as a potential source of funding for clinical trials for our cancer immunotherapeutic product candidate, SD-101, and for general corporate purposes.

The interest rate for each tranche in the Loan Agreement is calculated at a rate equal to the greater of either: (i) 9.75% plus the prime rate as reported from time to time in The Wall Street Journal minus 5.25%, and (ii) 9.75%. Payments under the Loan Agreement are interest only until February 1, 2016 (which will be extended until August 1, 2016, if we achieve Milestone A on or before September 30, 2015, and which will be extended until February 1, 2017, if we meet certain additional HEPLISAV-B Phase 3 related milestones ("Milestone B") on or before August 1, 2016). The interest only period will be followed by equal monthly payments of principal and interest amortized over a 30 month schedule through the scheduled maturity date on July 1, 2018 (which would be extended through January 1, 2019 if we achieve Milestone A on or before September 30, 2015 or Milestone B on or before August 1, 2016) (the "Loan Maturity Date"). The entire principal balance, including a balloon payment of principal, as applicable, will be due and payable on the Loan Maturity Date, which we recorded as a liability and debt discount at the origination of the loan. See Note 10 for further information regarding our Loan Agreement.

A final payment equal to $840,000 (if an aggregate of $10.0 million is advanced under the Loan Agreement) or $2,400,000 (if an aggregate of $40.0 million is advanced under the Loan Agreement) will be due on the Loan Maturity Date, or such earlier date specified in the Loan Agreement. Our obligations under the Loan Agreement are secured by a security interest in substantially all of our assets, other than our intellectual property. Additionally, we paid a

$400,000 facility charge to Hercules. The debt issuance costs and final payment fee are being amortized and accreted, respectively, to interest expense over the term of the term loan using the effective interest method.

In addition, under the Loan Agreement, Hercules was granted the right, at its discretion, to participate in any subsequent financing in an aggregate amount of up to $1,500,000 (that is, a maximum amount of $1,500,000 with respect to all subsequent financings collectively) on the same terms, conditions and pricing afforded to others participating in any such subsequent financing. Such right applies to subsequent financings in which the aggregate proceeds to us are at least $15 million.

The Loan Agreement includes customary affirmative and restrictive covenants, but does not include any financial maintenance covenants, and also includes standard events of default. At June 30, 2015, we were in compliance with all loan covenants. Upon an event of default, including a change of control, Hercules has the option to accelerate repayment of the loan, including payment of any applicable prepayment charges, which is 1.50% of the outstanding loan balance and accrued but unpaid interest.

As of June 30, 2015 and December 31, 2014, we had outstanding borrowings under the Loan Agreement of $10.0 million, with a carrying value of $9.5 million and $9.6 million, respectively, net of the debt discounts. The following table summarizes our outstanding future minimum payments associated with our long-term debt as of June 30, 2015 (in thousands):

Obligations:	Total	2015	2016-2017	2018-2019	2020 and Thereafter
Principal payments on long-term debt	$10,000	$-	$ 7,425	$ 2,575	$ -
Interest payments on long-term debt	1,910	496	1,328	86	-
Total	$11,910	$496	$ 8,753	$ 2,661	$ -

7. Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period and giving effect to all potentially dilutive common shares using the treasury-stock method. For purposes of this calculation, common stock subject to repurchase by us, outstanding options, stock awards, Series B Convertible Preferred Stock, and warrants are considered to be potentially dilutive common shares and are only included in the calculation of diluted net loss per share when their effect is dilutive. Stock options, Series B Convertible Preferred Stock, warrants and stock awards totaling approximately 4,660,000 and 7,630,000 shares of common stock as of June 30, 2015 and 2014, respectively, were excluded from the calculation of diluted net loss per share for the three months ended June 30, 2015 and 2014, because the effect of their inclusion would have been anti-dilutive. For periods in which the Company has a net loss and no instruments are determined to be dilutive, such as the three months ended June 30, 2015 and 2014, basic and diluted loss per share are the same.

8. Preferred Stock, Common Stock and Warrants

Preferred Stock Outstanding

As of June 30, 2015, there were 5,000,000 shares of preferred stock authorized and 17,430 shares of $0.001 par value Series B Convertible Preferred Stock outstanding. On February 26, 2015, 26,000 shares of our Series B Convertible Preferred Stock were converted into 2,600,000 shares of common stock. See Note 10 for further information regarding our Preferred Stock.

Each share of Series B Convertible Preferred Stock is convertible into 100 shares of common stock at any time at the holder’s option. However, the holder is prohibited from converting the Series B Convertible Preferred Stock into shares of common stock if, as a result of such conversion, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then issued and outstanding. In the event of the Company’s liquidation, dissolution, or winding up, holders of Series B Convertible Preferred Stock will receive a payment equal to $0.001 per

share before any proceeds are distributed to the common stockholders. Shares of Series B Convertible Preferred Stock generally have no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series B Convertible Preferred Stock is required to amend the terms of the Series B Convertible Preferred Stock. Holders of Series B Convertible Preferred Stock are not entitled to receive any dividends, unless and until specifically declared by the Company's board of directors. The Series B Convertible Preferred Stock ranks senior to the Company's common stock as to distributions of assets upon the Company's liquidation, dissolution or winding up, whether voluntarily or involuntarily. The Series B Convertible Preferred Stock may rank senior to, on parity with or junior to any class or series of the Company's capital stock created in the future depending upon the specific terms of such future stock issuance.

Common Stock Outstanding

As of June 30, 2015, the Company has 30,237,147 shares of common stock outstanding. On November 10, 2014, we entered into an At Market Issuance Sales Agreement (the "ATM Agreement") with Cowen and Company, LLC ("Cowen") under which we may offer and sell our common stock having aggregate sales proceeds of up to $50,000,000 from time to time through Cowen as our sales agent. Sales of our common stock through Cowen will be made by means of ordinary brokers' transactions on the NASDAQ Capital Market or otherwise at market prices prevailing at the time of sale, in block transactions, or as otherwise agreed upon by us and Cowen. Cowen will use commercially reasonable efforts to sell our common stock from time to time, based upon instructions from us (including any price, time or size limits or other customary parameters or conditions we may impose). We agreed to pay Cowen a commission of up to 3.0% of the gross sales proceeds of any common stock sold through Cowen under the ATM Agreement. As of June 30, 2015, we had sold 929,590 shares of common stock under the ATM Agreement resulting in net proceeds to us of approximately $20.2 million. See Note 10 for further information regarding our Common Stock.

Warrants

As of June 30, 2015, no warrants to purchase shares of our common stock were outstanding. During the three months ended June 30, 2015, approximately 1,060,000 warrants were exercised resulting in the issuance of 375,000 shares of our common stock.

9. Equity Plans and Stock-Based Compensation

Option activity under our stock-based compensation plans during the six months ended June 30, 2015 was as follows (in thousands except per share amounts):

	Shares Underlying Outstanding Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(years)	(in thousands)
Balance at December 31, 2014	1,820	$ 27.48		
Options granted	1,094	16.83		
Options exercised	(8)	15.60		
Options cancelled:				
Options forfeited (unvested)	(82)	17.34		
Options cancelled (vested)	(101)	43.55		
Balance at June 30, 2015	2,723	22.92	7.23	$ 12,303
Vested and expected to vest at June 30, 2015	2,568	23.27	7.10	$ 11,323
Exercisable at June 30, 2015	1,166	29.61	4.64	$ 3,001

Restricted stock unit activity under our stock-based compensation plans during the six months ended June 30, 2015 was as follows (in thousands except per share amounts):

	Number of Shares (In thousands)	Weighted-Average Grant-Date Fair Value
Non-vested as of December 31, 2014	179	$ 17.13
Granted	24	$ 16.16
Vested	(3)	$ 16.90
Forfeited or expired	(5)	$ 18.71
Non-vested as of June 30, 2015	195	$ 16.97

The aggregate intrinsic value of the restricted stock units outstanding as of June 30, 2015, based on our stock price on that date, was $4.6 million.

As of June 30, 2015, approximately 75,000 shares underlying stock options and restricted stock units awards with performance-based vesting criteria were outstanding. Vesting criteria for these performance-based awards have not been met as of June 30, 2015.

Under our stock-based compensation plans, option awards generally vest over a four-year period contingent upon continuous service and expire ten years from the date of grant (or earlier upon termination of continuous service). The fair value-based measurement of each option is estimated on the date of grant using the Black-Scholes option valuation model.

The fair value-based measurements and weighted-average assumptions used in the calculations of these measurements are as follows:

	Stock Options Three Months Ended June 30,		Stock Options Six Months Ended June 30,		Employee Stock Purchase Plan Six Months Ended June 30,	
	2015	2014	2015	2014	2015	2014
Weighted-average fair value	$14.28	$13.60	$12.76	$15.50	$8.18	$9.20
Risk-free interest rate	1.7%	1.9%	1.7%	1.8%	0.4%	0.2%
Expected life (in years)	5.9	5.8	5.9	5.9	1.2	1.1
Volatility	0.7	1.3	0.7	1.4	0.7	0.9

We recognized stock-based compensation expense of $1.9 million and $1.7 million for the three months ended June 30, 2015 and 2014, respectively. We recognized stock-based compensation expense of $3.9 million and $2.9 million for the six months ended June 30, 2015 and 2014, respectively. The components of stock-based compensation expense were (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Research and development	$868	$738	$1,753	$1,430
General and administrative	1,050	938	2,119	1,516
Total	$1,918	$1,676	$3,872	$2,946

As of June 30, 2015, the total unrecognized compensation cost related to non-vested equity awards including all awards with time-based vesting amounted to $21.4 million, which is expected to be recognized over the remaining weighted-average vesting period of 3.0 years. Additionally, as of June 30, 2015, the total unrecognized compensation cost related to equity awards with performance-based vesting criteria not deemed probable of vesting amounted to $0.4 million.

Employee Stock Purchase Plan

As of June 30, 2015, 99,600 shares were approved for issuance under the 2004 Employee Stock Purchase Plan, subject to adjustment for a stock split, or any future stock dividend or other similar change in our common stock or capital structure. As of June 30, 2015, employees have acquired 94,410 shares of our common stock under the 2004 Employee Stock Purchase Plan. As of June 30, 2015, 5,190 shares of our common stock remained available for future purchases under the 2004 Employee Stock Purchase Plan.

In May 2014, stockholders of the Company approved the 2014 Employee Stock Purchase Plan (the “Purchase Plan”), pursuant to which the Company may issue up to 50,000 shares of its common stock, subject to adjustment, to its employees. The Purchase Plan provides for the purchase of common stock by eligible employees and became effective on May 28, 2014. The purchase price per share is the lesser of (i) 85% of the fair market value of the common stock on the commencement of the offer period (generally, the sixteenth day in February or August) or (ii) 85% of the fair market value of the common stock on the exercise date, which is the last day of a purchase period (generally, the fifteenth day in February or August). As of June 30, 2015, employees have acquired 7,959 shares of our common stock under the Purchase Plan and 42,041 shares of our common stock remained available for future purchases under the Purchase Plan.

10. Subsequent Events

In July 2015, we received additional cash of approximately $28.8 million resulting from sales of our common stock following the end of the quarter under our ATM Agreement. The ATM Agreement has concluded, as we have reached an aggregate of $50 million of gross proceeds from sales of our common stock as specified in the ATM Agreement.

On July 9, 2015, we announced that the independent DSMB charged with periodically reviewing safety data from HBV-23, the ongoing Phase 3 clinical study of HEPLISAV-B, had completed its third prespecified review and recommended that the study continue unchanged, resulting in the achievement of Milestone A under the Loan Agreement with Hercules and providing us the option to draw down the $30.0 million second tranche at any time prior to September 30, 2015 pursuant to the agreement. No additional amount has been drawn down through the date of this

quarterly report. Additionally, the loan amortization date is now August 1, 2016 and the Loan Maturity Date is now January 1, 2019. See Note 6 for terms disclosed under our Loan Agreement.

On July 23, 2015, 17,430 shares of our Series B Convertible Preferred Stock were converted into 1,743,000 shares of common stock. As of July 23, 2015, no Series B Convertible Preferred Stock remained outstanding.

On July 27, 2015, we completed an underwritten public offering of 5,227,273 shares of our common stock, including 681,818 shares sold pursuant to the full exercise of an overallotment option previously granted to the underwriters. All of the shares were offered at a price to the public of $27.50 per share. The net proceeds to us from this offering were approximately $134.8 million, after deducting the underwriting discount and other estimated offering expenses payable by us.

Subsequent events noted have been evaluated through the date of this quarterly report on Form 10-Q.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve a number of risks and uncertainties. Our actual results could differ materially from those indicated by forward-looking statements as a result of various factors, including but not limited to, clinical development timing and progress, the period for which we estimate our cash resources are sufficient, the availability of additional funds, and ability to enter into strategic and licensing arrangements, as well as those set forth under "Risk Factors" and those that may be identified from time to time in our reports and registration statements filed with the Securities and Exchange Commission ("SEC").

The following discussion and analysis is intended to provide an investor with a narrative of our financial results and an evaluation of our financial condition and results of operations. This discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and related Notes included in Item 1 of this Quarterly Report on Form 10-Q and the Consolidated Financial Statements and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

We are a clinical-stage biopharmaceutical company that uses toll-like receptor ("TLR") biology to discover and develop novel vaccines and therapeutics. Our development programs are organized under our three areas of focus: vaccine adjuvants, cancer immunotherapy, and autoimmune and inflammatory diseases.

Our vaccine research has focused on the use of TLR9 agonists as novel adjuvants. Our lead vaccine product candidate is HEPLISAV-B™, an investigational adult hepatitis B vaccine in Phase 3 clinical development. HEPLISAV-B combines our proprietary TLR9 agonist adjuvant and recombinant hepatitis B surface antigen ("rHBsAg") to elicit a response after two doses. In Phase 3 trials, HEPLISAV-B demonstrated earlier protection with fewer doses than currently-licensed vaccines and an adverse event profile similar to a licensed hepatitis B vaccine. Based on those data, we submitted a Biologics License Application ("BLA") to the U.S. Food and Drug Administration ("FDA") in 2012. In 2013, the FDA issued a Complete Response Letter ("CRL") indicating that it would not approve the BLA because hypothetical risks of the novel adjuvant warranted a larger safety database to assess the possibility of rare autoimmune side effects. In April 2014, we initiated HBV-23, a Phase 3 study of HEPLISAV-B, in order to provide a sufficiently-sized database for the FDA to complete its review of our BLA. HBV-23 was fully enrolled in September 2014. All three prespecified reviews by the independent Data and Safety Monitoring Board ("DSMB") charged with reviewing safety data from HBV-23 have been completed with recommendations that the study continue unchanged. Over 2,200 subjects have completed their final study visit, and all study visits for HBV-23 are expected to be completed by October 2015. Top line results of this study are expected to be released by early 2016. In the first quarter of 2016, we intend to submit to FDA our revised BLA with answers to all questions raised and that submission is expected to be assigned a 6-month Prescription Drug User Fee Act ("PDUFA") review period. If approved, we expect under current plans to launch HEPLISAV-B in the fourth quarter of 2016.

Through our expertise in TLR biology we have designed compounds that stimulate multiple innate mechanisms of tumor killing along with developing immune memory associated with antigens found in tumors. Our lead cancer immunotherapy candidate is SD-101, a C Class CpG TLR9 agonist that was selected for characteristics optimal for treatment of cancer, including high interferon induction. In animal models, SD-101 demonstrated significant anti-tumor effects at both the injected site and at distant sites. We have begun a clinical program intended to assess the preliminary efficacy of SD-101 in a range of tumors and in combination with a range of treatments.

In June 2015, we announced that we had entered into two clinical trial collaboration agreements with Merck to investigate the potential synergistic effect of combining immunotherapies from both companies' pipelines: Merck's anti-PD-1 therapy, KEYTRUDA® (pembrolizumab), and its investigational anti-interleukin-10 (anti-IL-10)

immunomodulator, MK-1966, with our SD-101 product candidate. The collaboration agreements include studies that will evaluate: (i) safety and efficacy of combining SD-101 with KEYTRUDA in patients with advanced melanoma; this Phase 1b/2, multicenter, open-label study is expected to be initiated in the second half of 2015, with initial data expected in the second half of 2016, and (ii) safety and efficacy of combining SD-101 with MK-1966 in patients with solid or hematological malignancies; this Phase 1 study is expected to be initiated in the second half of 2015.

Under the terms of the agreements, we will sponsor and fund the SD-101 and KEYTRUDA study, and Merck will sponsor and fund the SD-101 and MK-1966 study. The agreements include provisions where the parties may extend either collaboration to include a Phase 3 clinical trial.

We have several clinical and preclinical programs focused on therapeutics for autoimmune and inflammatory diseases. Our most advanced inflammatory disease candidate is AZD1419, which is partnered with AstraZeneca AB ("AstraZeneca"). AZD1419 is designed to change the basic immune response to environmental allergens, such as house dust and pollens, leading to prolonged

reduction in asthma symptoms by converting the response from one primarily mediated by type-2 helper T cells ("Th2") to type-1 helper T cells ("Th1"). A Phase 1a study of AZD1419 demonstrated its safety and tolerability in healthy subjects. We are currently working with AstraZeneca to design a Phase 2 study, fully funded by AstraZeneca, which we expect to conduct beginning in the first half of 2016.

There is also a strong rationale for the use of TLR inhibitors to treat autoimmune diseases. These conditions arise from dysfunction in the innate immune system resulting in the body seeing its own cells and tissues as pathogens and attacking them. Various autoimmune diseases are characterized by over-stimulation of endosomal TLRs. Our lead inhibitor product candidate is DV1179, our TLR7/9 inhibitor for autoimmune or inflammatory conditions. We are assessing potential clinical applications for DV1179, including autoimmune pancreatitis, nonalcoholic steatohepatitis ("NASH") and autoimmune skin diseases such as scleroderma and dermatomyositis. We expect to select a clinical development target for DV1179 in the fourth quarter of 2015.

Our revenues consist of amounts earned from collaborations, grants and fees from services and licenses. Product revenue will depend on our ability to receive regulatory approvals for, and successfully market, our drug candidates. We have yet to generate any revenues from product sales and have recorded an accumulated deficit of $642.7 million at June 30, 2015. These losses have resulted principally from costs incurred in connection with research and development activities, compensation and other related personnel costs and general corporate expenses. Research and development activities include costs of outside contracted services including clinical trial costs, manufacturing and process development costs, research costs and other consulting services. Salaries and other personnel-related costs include non-cash stock-based compensation associated with options and other equity awards granted to employees. General corporate expenses include outside services such as accounting, consulting, business development, commercial, investor relations, insurance services and legal costs. Our operating results may fluctuate substantially from period to period principally as a result of the timing of preclinical activities and other activities related to clinical trials for our drug candidates.

As of June 30, 2015, we had $93.4 million in cash, cash equivalents and marketable securities. In July 2015, we received additional cash of approximately $28.8 million resulting from sales of our common stock following the end of the quarter under our at-the-market sales agreement ("ATM Agreement"). The ATM Agreement has concluded as we have reached $50 million of gross proceeds as specified in the ATM Agreement. Additionally, on July 27, 2015, we completed a public offering of 5,227,273 shares of common stock, including 681,818 shares sold pursuant to the full exercise of an overallotment option previously granted to the underwriters. This offering resulted in net proceeds of approximately $134.8 million after deducting the underwriting discount and other estimated offering expenses payable by us. Since our inception, we have relied primarily on the proceeds from public and private sales of our equity securities, government grants and revenues from collaboration agreements to fund our operations. We expect to continue to spend substantial funds in connection with the development and manufacturing of our product candidates, particularly HEPLISAV-B and our investigational cancer immunotherapeutic product candidate, SD-101, human clinical trials for our other product candidates and additional applications and advancement of our technology. In order to continue these activities, we may need to raise additional funds. This may occur through strategic alliance and licensing arrangements and/or future public or private debt and equity financings. If adequate funds are not available in the future, we may need to delay, reduce the scope of or put on hold the HEPLISAV-B program or other development programs while we seek strategic alternatives.

Critical Accounting Policies and the Use of Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and the related disclosures, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. On an ongoing basis, we evaluate our estimates, assumptions and judgments described below that have the greatest

potential impact on our consolidated financial statements, including those related to revenue recognition, research and development activities and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from these estimates under different assumptions or conditions. We believe that there have been no significant changes in our critical accounting policies during the six months ended June 30, 2015, as compared with those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

Revenues

Revenues consist of amounts earned from collaborations, grants and service, manufacturing service agreements and license fees. Collaboration revenue includes amounts recognized under our collaboration agreements. Grant revenue includes amounts earned

under government and private agency grants. Service and license fees include revenues related to research and development and contract manufacturing services, license fees and royalty payments.

The following is a summary of our revenues (in thousands, except for percentages):

	Three Months Ended June 30,		Increase (Decrease) from 2014 to 2015		Six Months Ended June 30,		Increase (Decrease) from 2014 to 2015	
Revenues:	2015	2014	$	%	2015	2014	$	%
Collaboration revenue	$930	$2,031	$(1,101)	(54)%	$1,401	$4,404	$(3,003)	(68)%
Grant revenue	101	1,007	(906)	(90)%	249	2,132	(1,883)	(88)%
Service and license revenue	519	10	509	100 %	527	10	517	100 %
Total revenues	$1,550	$3,048	$(1,498)	(49)%	$2,177	$6,546	$(4,369)	(67)%

Total revenues for the three months ended June 30, 2015 decreased by $1.5 million, or 49%, as compared to the same quarter of 2014. Collaboration revenue decreased by $1.1 million due to winding down of work performed for the Phase 1 clinical trial for AZD1419, extension of the estimated performance period for the $5.4 million payment received from AstraZeneca in March 2014, and expiration of our collaboration agreement with GlaxoSmithKline (“GSK”) in 2014. Grant revenue decreased by $0.9 million due to a decrease in revenue recognized from our National Institute of Health’s National Institute of Allergy and Infectious Diseases contracts for adjuvant development that expired in 2014. The total revenue decrease was partially offset by an increase of service and license revenue of $0.5, due to revenue received from manufacturing services on behalf of a third party.

Total revenues for the six months ended June 30, 2015 decreased by $4.4 million, or 67%, as compared to the same period in 2014. Collaboration revenue decreased by $3.0 million due to winding down of work performed for the Phase 1 clinical trial for AZD1419, extension of the estimated performance period for the $5.4 million payment received from AstraZeneca in March 2014, and expiration of our collaboration agreement with GSK in 2014. Grant revenue decreased by $1.9 million due to a decrease in revenue recognized from our National Institute of Health’s National Institute of Allergy and Infectious Diseases contracts for adjuvant development that expired in 2014. The decrease was partially offset by an increase of service and license revenue of $0.5, due to revenue received from manufacturing services on behalf of a third party.

Research and Development Expense

Research and development expense consists primarily of compensation and related personnel costs, which include benefits, recruitment, travel and supply costs, outside services, allocated facility costs and non-cash stock-based compensation. Outside services relate to our preclinical experiments and clinical trials as well as our regulatory filings and manufacturing of our product candidates. For the six months ended June 30, 2015 and 2014, approximately 83% and 72%, respectively, of our total research and development expense, excluding non-cash stock-based compensation, is related to our lead product candidate, HEPLISAV-B. The remainder of our research and development expense results primarily from earlier-stage programs.

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

	Three Months Ended	Increase (Decrease) from	Six Months Ended	Increase (Decrease) from

Research and Development:	June 30, 2015	2014	2014 to 2015 $	%	June 30, 2015	2014	2014 to 2015 $	%
Compensation and related personnel costs	$7,315	$6,159	$ 1,156	19 %	$14,460	$11,813	$ 2,647	22 %
Outside services	9,819	15,237	(5,418)	(36)%	22,309	20,532	1,777	9 %
Facility costs	1,684	1,505	179	12 %	3,384	3,095	289	9 %
Non-cash stock-based compensation	868	738	130	18 %	1,753	1,430	323	23 %
Total research and development	$19,686	$23,639	$ (3,953)	(17)%	$41,906	$36,870	$ 5,036	14 %

Total research and development expense for the three months ended June 30, 2015, decreased by $4.0 million, or 17%, as compared to the same quarter in 2014. Outside services expense decreased by $5.4 million during the quarter compared to the same period in 2014 primarily due to lower activity related to our HEPLISAV-B clinical trial. Compensation and related personnel costs increased by $1.2 million and non-cash stock-based compensation increased by $0.1 million due to an overall increase in employee headcount and larger share-based award granted to employees, respectively. Facility costs increased by $0.2 million due to repair and maintenance of our manufacturing facility.

Total research and development expense for the six months ended June 30, 2015, increased by $5.0 million, or 14%, as compared to the same period in 2014. Compensation and related personnel costs increased by $2.6 million and non-cash stock-based compensation increased by $0.3 million due to an overall increase in employee headcount and share-based awards granted to employees, respectively. Outside services expense increased by $1.8 million during the six month period as compared to the same period in 2014 primarily due to six months of expenses related to our HEPLISAV-B clinical trial in 2015 while only three months of expense was incurred in 2014, as the trial was initiated in April 2014. Facility costs increased by $0.3 million due to repair and maintenance of our manufacturing facility.

General and Administrative Expense

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

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

	Three Months Ended June 30,		Increase (Decrease) from 2014 to 2015		Six Months Ended June 30,		Increase (Decrease) from 2014 to 2015	
General and Administrative:	2015	2014	$	%	2015	2014	$	%
Compensation and related personnel costs	$2,065	$1,572	$ 493	31 %	$4,023	$3,055	$ 968	32 %
Outside services	1,298	788	510	65 %	2,427	1,965	462	24 %
Legal costs	495	604	(109)	(18)%	1,015	1,360	(345)	(25)%
Facility costs	190	183	7	4 %	373	346	27	8 %
Non-cash stock-based compensation	1,050	938	112	12 %	2,119	1,516	603	40 %
Total general and administrative	$5,098	$4,085	$ 1,013	25 %	$9,957	$8,242	$ 1,715	21 %

General and administrative expense for the three months ended June 30, 2015, increased by $1.0 million, or 25%, as compared to the same period in 2014. Compensation and related personnel costs increased by $0.5 million and non-cash stock-based compensation increased by $0.1 million due to an overall increase in employee headcount and share-based awards granted to employees, respectively. Outside services increased by $0.5 million due to the hiring of consultants for administrative and commercial development services. Legal costs decreased by $0.1 million as certain ongoing litigation expenses incurred in the second quarter of 2015 were covered under our insurance.

General and administrative expense for the six months ended June 30, 2015, increased by $1.7 million, or 21%, as compared to the same period in 2014. Compensation and related personnel costs increased by $1.0 million due to an overall increase in employee headcount. Non-cash stock-based compensation increased by $0.6 million due to increased annual stock option grants in 2015 and a full quarter of expense related to 2014 annual option grants in the first quarter of 2015. Outside services increased by $0.5 million due to due to the hiring of consultants for administrative and commercial development services. Legal costs decreased by $0.3 million as certain ongoing litigation expenses during the first six months of 2015 were covered under the Company’s insurance.

Interest Income, Interest Expense, and Other (Loss) Income

Interest income is reported net of amortization of premiums and discounts on marketable securities and realized gains and losses on investments. Interest expense includes interest expense incurred on debt. Other income includes gains and losses on foreign currency transactions as well as gains and losses on disposals of property and equipment. The following is a summary of our interest income and expense and other income (in thousands, except for percentages):

	Three Months Ended June 30,		Increase (Decrease) from 2014 to 2015		Six Months Ended June 30,		Increase (Decrease) from 2014 to 2015	
	2015	2014	$	%	2015	2014	$	%
Interest income	$18	$55	$(37)	(67)%	$45	$120	$(75)	(63)%
Interest expense	$(263)	$-	$(263)	(100)%	$(510)	$-	$(510)	(100)%
Other (loss) income	$(112)	$22	$(134)	(609)%	$343	$84	$259	308 %

Interest income remained flat for the three months ended June 30, 2015, as compared to the same period in 2014. Interest expense for the three months ended June 30, 2015, increased by $0.3 million compared to the same period in 2014, due to interest expense related to the Loan and Security Agreement (“Loan Agreement”) that we entered into with Hercules Technology Growth

Capital, Inc. (“Hercules”) in December 2014. Other income for the three months ended June 30, 2015 decreased by $0.1 million due to loss on foreign currency transactions resulting from fluctuations in the value of the Euro compared to the U.S. dollar and withholding taxes paid in Europe.

Interest income decreased by $0.1 million, or 63% for the six months ended June 30, 2015, as compared to the same period in 2014 due to a lower balance of interest bearing marketable securities. Interest expense for the six months ended June 30, 2015, increased by $0.5 million compared to the same period in 2014, due to interest expense related to the loan from Hercules. Other income for the six months ended June 30, 2015 increased by $0.3 million due to gain on foreign currency transactions resulting from fluctuations in the value of the Euro compared to the U.S. dollar and withholding taxes paid in Europe.

Liquidity and Capital Resources

As of June 30, 2015, we had $93.4 million in cash, cash equivalents and marketable securities. Since our inception, we have relied primarily on the proceeds from public and private sales of our equity securities, government grants and revenues from collaboration agreements to fund our operations. Our funds are currently invested in short-term money market funds and U.S. government agency securities.

During the six months ended June 30, 2015, we used $47.7 million of cash for our operations primarily due to our net loss of $49.8 million, of which $5.2 million consisted of non-cash charges such as stock-based compensation, interest expense, depreciation and amortization, cash-settled stock based compensation and accretion and amortization on marketable securities. By comparison, during the six months ended June 30, 2014, we used $33.8 million of cash for our operations primarily due to a net loss of $38.6 million, of which $4.4 million consisted of non-cash charges such as stock-based compensation, depreciation and amortization and accretion and amortization on marketable securities. Cash used in our operations during the first six months of 2015 increased by $13.9 million. Net cash used in operating activities is impacted by changes in our operating assets and liabilities due to timing of cash receipts and expenditures.

During the six months ended June 30, 2015, cash provided by investing activities was $14.3 million compared to $27.6 million for the six months ended June 30, 2014. Cash provided by investing activities during the first six months of 2015 included $15.9 million of net purchases of marketable securities versus $28.5 million of net proceeds from maturities of marketable securities during the first six months of 2014.

During the six months ended June 30, 2015 and 2014, cash provided by financing activities was $20.7 million and $0.1 million, respectively. During the six months ended June 30, 2015, we received $20.2 million in net proceeds from issuance of common stock under our ATM Agreement with Cowen and Company, LLC. We additionally received proceeds of $0.3 million and $0.1 million from exercise of warrants and employee purchases of our common stock under the 2014 Employee Stock Purchase Plan during the six months ended June 30, 2015 and 2014, respectively.

In July 2015, we received additional cash of approximately $28.8 million resulting from sales of our common stock following the end of the quarter under the ATM Agreement. The ATM Agreement has concluded as we have reached $50 million of gross proceeds as specified in the ATM Agreement. Additionally, on July 27, 2015, we completed a public offering of 5,227,273 shares of common stock, including 681,818 shares sold pursuant to the full exercise of an overallotment option previously granted to the underwriters. This offering resulted in net proceeds of approximately $134.8 million after deducting the underwriting discount and other estimated offering expenses payable by us. We currently estimate that we have sufficient cash resources to meet our anticipated cash needs through at least the next 12 months based on cash and cash equivalents and marketable securities on hand as of June 30, 2015, anticipated revenues, funding from existing agreements and proceeds from financing arrangements. We expect to continue to spend substantial funds in connection with the development and manufacturing of our product candidates, particularly HEPLISAV-B and our investigational cancer immunotherapeutic product candidate, SD-101, human clinical trials for our other product candidates and additional applications and advancement of our technology. Costs relating to

HBV-23 are expected to decline as the trial completes in October 2015 as costs relating to seeking regulatory approval and preparing for the anticipated commercial launch of HEPLISAV-B in the United States, as well as costs related to the ongoing development of SD-101, begin to increase. In order to continue these activities, we may need to raise additional funds. This may occur through strategic alliance and licensing arrangements and/or future public or private debt or equity financings. Sufficient funding may not be available, or if available, may be on terms that significantly dilute or otherwise adversely affect the rights of existing stockholders. If adequate funds are not available in the future, we may need to delay, reduce the scope of or put on hold the HEPLISAV-B program or other development programs while we seek strategic alternatives.

Contractual Obligations

We lease our facilities in Berkeley, California (the “Berkeley Lease”), and Düsseldorf, Germany (the “Düsseldorf Lease”) under operating leases that expire in June 2018 and March 2023, respectively.

During September 2013, we decided not to occupy a portion of our facility in Berkeley, California. As a result, we recorded an estimated unoccupied facility expense of $0.9 million during 2013, representing the present value of the rent payments and other costs associated with the lease, net of estimated sublease income, for the remaining life of the operating lease. During the first three quarters of 2014, we reassessed our timing and ability to sublet a portion of our facility and recorded a total unoccupied facility expense of $0.4 million for the year ended December 31, 2014. In December 2014, we decided to utilize the unoccupied portion of the facility and began to recognize rent expense under the terms noted in the Berkeley Lease.

In addition to the non-cancelable commitments included above, we have entered into contractual arrangements that obligate us to make payments to the contractual counterparties upon the occurrence of future events. Also, in the normal course of operations, we have entered into license and other agreements and intend to continue to seek additional rights relating to compounds or technologies in connection with our discovery, manufacturing and development programs. Under the terms of the agreements, we may be required to pay future upfront fees, milestones, royalties on net sales of products originating from the licensed technologies or other payments contingent upon the occurrence of an event that cannot reasonably be estimated.

In December 2014, we entered into the Loan Agreement with Hercules under which we may borrow up to $40.0 million in two tranches. We drew down the first tranche of $10.0 million upon closing of the transaction on December 23, 2014. The second tranche, of $30.0 million, can be drawn at our option any time prior to September 30, 2015. The term loan accrues interest at a rate equal to the greater of either (i) 9.75% plus the prime rate as reported from time to time in The Wall Street Journal minus 5.25%, and (ii) 9.75% per annum, and is secured by substantially all of our existing and after-acquired assets, excluding our intellectual property assets.

We rely on research institutions, contract research organizations, clinical investigators as well as clinical and commercial material manufacturers of our product candidates. As of June 30, 2015, under the terms of our agreements, including certain agreements relating to the Phase 3 trial of HEPLISAV-B, we are obligated to make future payments as services are provided of approximately $12.3 million through 2016. These agreements are terminable by us upon written notice. Generally, we are liable only for actual effort expended by the organizations at any point in time during the contract through the notice period.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by rules enacted by the SEC and, accordingly, no such arrangements are likely to have a current or future effect on our financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

We are subject to interest rate risk. Our investment portfolio is maintained in accordance with our investment policy, which defines allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. The primary objective of our investment activities is to preserve principal and, secondarily, to maximize income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may have market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents and investments in short-term money market funds and U.S. government agency securities. We do not invest in auction rate securities or securities collateralized by home mortgages, mortgage bank debt or home equity loans. We do not have derivative financial instruments in our investment portfolio. To assess our risk, we calculate that if interest rates were to rise or

fall from current levels by 100 basis points or by 125 basis points, the pro forma change in fair value of our net unrealized loss on investments would be $0.7 million or $0.9 million, respectively.

Due to the short duration and conservative nature of our cash equivalents and marketable securities, as well as our intention to hold the investments to maturity, we do not expect any material loss with respect to our investment portfolio.

Foreign Currency Risk

We have certain investments outside the U.S. for the operations of our wholly-owned subsidiary Dynavax GmbH (formerly known as Rhein Biotech GmbH) with exposure to foreign exchange rate fluctuations. The cumulative translation adjustment reported in the consolidated balance sheet as of June 30, 2015 was $2.7 million primarily related to translation of Dynavax GmbH assets, liabilities and operating results from Euros to U.S. dollars. As of June 30, 2015, the effect of our exposure to these exchange rate fluctuations has not been material, and we do not expect it to become material in the foreseeable future. We currently do not hedge our foreign currency exposures and have not used derivative financial instruments for speculation or trading purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable, not absolute, assurance of achieving the desired control objectives.

Based on their evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures are effective and were operating at the reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

(b) Changes in internal controls

There has been no change in our internal controls over financial reporting as defined in Rule 13a – 15(f) under the Exchange Act during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we receive claims or allegations regarding various matters, including employment, vendor and other similar situations in the conduct of our operations.

On June 18, 2013, the first of two substantially similar securities class action complaints was filed in the U.S. District Court for the Northern District of California against the Company and certain of its former executive officers. The second was filed on June 26, 2013. On August 22, 2013, these two complaints and all related actions that subsequently may be filed in, or transferred to, the District Court were consolidated into a single case entitled In re Dynavax Technologies Securities Litigation. On September 27, 2013, the Court appointed a lead plaintiff and lead counsel. On November 12, 2013, lead plaintiff filed his consolidated class action complaint (the "consolidated complaint"), which named a former director of the Company as a defendant in addition to the Company and the former executive officers identified in the two prior complaints (collectively, the "defendants"). The consolidated complaint alleged that between April 26, 2012 and June 10, 2013, the Company and certain of its executive officers and directors violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, in connection with statements related to the Company's product, HEPLISAV-B, an investigational adult hepatitis B vaccine. The consolidated complaint sought unspecified damages, interest, attorneys' fees, and other costs. On January 10, 2014, defendants filed a motion to dismiss the consolidated complaint.

On March 10, 2014, plaintiffs filed an opposition to the motion to dismiss the consolidated complaint. The opposition introduced a new theory of the case, so defendants permitted plaintiffs to amend their complaint. On April 7, 2014, plaintiffs filed an amended consolidated complaint ("ACC"). The ACC added a new plaintiff and several new defendants, and alleged that, between April 26, 2012 and June 10, 2013, the Company, certain of its executive officers and directors, and entities related to certain of its directors, violated Sections 10(b), 20A, and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder in connection with statements related to our product candidate, HEPLISAV-B. Specifically, the ACC alleged that the Company made fraudulent misrepresentations or omissions regarding the manufacture of HEPLISAV-B and that certain insiders unlawfully profited from such misrepresentations or omissions. The ACC sought unspecified damages, interest, attorneys' fees, and other costs. On June 6, 2014, defendants filed a motion to dismiss the ACC. On August 8, 2014, plaintiffs filed their Opposition to that motion.

On September 10, 2014, plaintiffs filed the second amended complaint ("SAC") to remove or correct erroneous statements attributed to confidential witnesses. The SAC retains all allegations asserted in the ACC. On October 10, 2014, defendants filed a motion to dismiss the SAC. On November 10, 2014, plaintiffs filed an opposition to the Company's motion to dismiss the SAC. The Company filed its reply in support of the motion on December 1, 2014.

A hearing on the motion to dismiss the SAC occurred on February 20, 2015. The Court granted the motion with respect to some of the alleged misrepresentations and omissions made by the Company or certain named defendants as well as some of the insider trading claims against certain insiders and denied the motion to dismiss with respect to other alleged misrepresentations and omissions and insider trading claims. The Company filed an answer to the SAC on April 6, 2015. Dynavax and the lead plaintiff in the securities class action have agreed to participate in mediation.

Additionally, on July 3, 2013, a purported stockholder derivative complaint was filed in the Superior Court of California for the County of Alameda against certain of our former and current directors. On August 9, 2013, a substantially similar purported stockholder derivative complaint was filed in the U.S. District Court for the Northern District of California. The derivative complaint alleges breaches of fiduciary duties by the defendants and other violations of law. In general, the complaints allege that certain of our current and former executive officers and directors caused or allowed for the dissemination of materially false and misleading statements regarding our product, HEPLISAV-B. Plaintiff is seeking unspecified monetary damages, including restitution from defendants and attorneys'

fees and costs, and other relief.

On August 21, 2013, pursuant to a stipulation between the parties, the State Court stayed the state derivative case pending a decision on the Company's motion to dismiss in the In re Dynavax Technologies Securities Litigation. On October 17, 2013, pursuant to a stipulation between the parties, the federal court stayed the federal derivative case pending a decision on the Company's motion to dismiss in the In re Dynavax Technologies Securities Litigation. On May 8, 2015, the parties filed a stipulation to keep the state derivative case stayed until a final resolution in the In re Dynavax Technologies Securities Litigation. On May 15, 2015, the parties also stipulated to keep the federal derivative case stayed until a final resolution in the In re Dynavax Technologies Securities Litigation.

The Company believes that it has meritorious defenses and intends to defend these lawsuits vigorously. However, the lawsuits are subject to inherent uncertainties, the actual costs may be significant, and we may not prevail. We believe we are entitled to coverage under our relevant insurance policies with respect to these lawsuits, but coverage could be denied or prove to be insufficient.

ITEM 1A. RISK FACTORS

Various statements in this Quarterly Report on Form 10-Q are forward-looking statements concerning our future efforts to obtain regulatory approval, timing of development activities, expenses, revenues, liquidity and cash needs, as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Numerous factors could cause our actual results to differ significantly from the results described in these forward-looking statements, including the following risk factors. We have marked with an asterisk (*) those risks described below that reflect substantive changes from, or additions to, the risks described under Part 1, Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014 that was filed with the SEC on March 5, 2015.

Risks Related to our Business

The success of our product candidates, in particular HEPLISAV-B, depends on regulatory approval. The FDA or foreign regulatory agencies may determine our clinical trials or other data regarding safety, efficacy, consistency of manufacture or compliance with Good Manufacturing Practices ("GMP") regulations are insufficient for regulatory approval. Failure to obtain regulatory approvals could require us to discontinue operations.

None of our product candidates has been approved for sale by any regulatory agency. Any product candidate we develop is subject to extensive regulation by federal, state and local governmental authorities in the U.S., including the FDA, and foreign regulatory agencies. Our success is primarily dependent on our ability to obtain regulatory approvals for our most advanced product candidates. Approval processes in the U.S. and in other countries are uncertain, can take many years and require the expenditure of substantial resources, and we are unable to predict the timing of when regulatory approval may be received, if ever, in any jurisdiction.

For our lead product, HEPLISAV-B, our BLA must be approved by the FDA and corresponding applications to foreign regulatory agencies must be approved by those agencies before we may sell the product in their respective geographic area. Obtaining approval of a BLA and corresponding foreign applications is highly uncertain and we may fail to obtain approval. The BLA review process is extensive, lengthy, expensive and uncertain, and the FDA or foreign regulatory agencies may delay, limit or deny approval of our application for many reasons, including: whether the data from our clinical trials, including the Phase 3 results, or the development program is satisfactory to the FDA or foreign regulatory agency; disagreement with the number, design, size, conduct or implementation of our clinical trials or a conclusion that the data fails to meet statistical or clinical significance; acceptability of data generated at our clinical trial sites that are monitored by third party contract research organizations ("CROs"); the results of an FDA or other advisory committee that may recommend against approval of our BLA or may recommend that the FDA or other agencies require, as a condition for approval, additional preclinical studies or clinical trials; and deficiencies in our manufacturing processes or facilities or those of our third party contract manufacturers and suppliers, if any. For example, in our 2013 CRL, HEPLISAV-B was not approvable for the proposed indication based on insufficient patient safety data for an indication in adults 18-70 years of age without further evaluation of safety. While we are undertaking a study intended to obtain additional safety data information that we can submit to the FDA, there can be no assurance that this additional clinical study will support approval, or that the data will provide acceptable immunogenicity data for patients with diabetes. The FDA also requested additional data from our manufacturing process validation program as well as clarifying information on the manufacturing controls and facilities in our Düsseldorf manufacturing facility (our wholly-owned subsidiary, Dynavax GmbH) with respect to quality assurance of commercial product. There can be no assurance that we can successfully produce the requisite data in a timely manner or that the data will be sufficient for approval in the U.S.

In February 2014, we announced our withdrawal of our Marketing Authorization Application ("MAA") for approval to the European Medicines Agency ("EMA"). The Day 180 List of Outstanding Issues ("LOI") provided by the EMA indicated that, based primarily on the Good Clinical Practices ("GCP") inspection findings, Study HBV-17 was not acceptable without additional assurances regarding the study results and, because some of the findings were related to our overall GCP compliance systems, the other pivotal HEPLISAV-B studies (HBV-10 and HBV-16) were questioned

by the EMA. The LOI also noted that the HEPLISAV-B safety database was considered to be too small to rule out a risk of less common serious adverse events, particularly in light of the GCP concerns. We withdrew the application, in part, because the required time frame for response under the MAA procedure was not long enough to permit the collection of the necessary clinical data.

In addition, we obtain guidance from regulatory authorities on certain aspects of our clinical development activities and seek to comply with written guidelines provided by the authorities. These discussions and written guidelines are not binding obligations on the part of the regulatory authorities and the regulatory authorities may require additional patient data or studies to be conducted. Regulatory authorities may revise or retract previous guidance during the course of a clinical trial or after completion of the trial. The authorities may also disqualify a clinical trial from consideration in support of approval of a potential product if they deem the guidelines have not been met. The FDA or foreign regulatory agencies may determine our clinical trials or other data regarding safety, efficacy or consistency of manufacture or compliance with GMP regulations are insufficient for regulatory approval.

Failure to receive approval or significant delay in being able to provide the safety and manufacturing information required for approval of our BLA for HEPLISAV-B would have a material adverse effect on our business and results of operations. Even if

approved, the labeling approved by the relevant regulatory authority for a product may restrict to whom we and our potential partners, if any, may market the product or the manner in which our product may be administered and sold, which could significantly limit the commercial opportunity for such product.

Before granting product approval, the FDA must determine that our or our third party contractor's manufacturing facilities meet GMP requirements before we can use them in the commercial manufacture of our products. We and all of our contract manufacturers are required to comply with the applicable GMP regulations. Manufacturers of biological products must also comply with the FDA's general biological product standards. In addition, GMP regulations require quality control and quality assurance as well as the corresponding maintenance of records and documentation sufficient to ensure the quality of the approved product. Failure to comply with the statutory and regulatory requirements subjects the manufacturer to possible legal or regulatory action, such as delay of approval, suspension of manufacturing, seizure of product or voluntary recall of a product.

The FDA may require more clinical trials for our product candidates than we currently expect or are conducting before granting regulatory approval, if regulatory approval is granted at all. Our clinical trials may be extended which may lead to substantial delays in the regulatory approval process for our product candidates, which will impair our ability to generate revenues.

Our registration and commercial timelines depend on further discussions with the FDA and corresponding foreign regulatory agencies and requirements and requests they may make for additional data or completion of additional clinical trials. Any such requirements or requests could:

- adversely affect our ability to timely and successfully commercialize or market these product candidates;
- result in significant additional costs;
- potentially diminish any competitive advantages for those products;
- potentially limit the markets for those products;
- adversely affect our ability to enter into collaborations or receive milestone payments or royalties from potential collaborators;
- cause us to abandon the development of the affected product candidate; or
- limit our ability to obtain additional financing on acceptable terms, if at all.

Clinical trials for our product candidates are expensive and time consuming, may take longer than we expect or may not be completed at all, and their outcomes are uncertain.

We are currently undertaking clinical trials of HEPLISAV-B and SD-101 and expect to commence clinical trials for our other product candidates in the future. Each of our clinical trials requires the investment of substantial planning, expense and time and the timing of the commencement, continuation and completion of these clinical trials may be subject to significant delays relating to various causes, including scheduling conflicts with participating clinicians and clinical institutions, difficulties in identifying and enrolling participants who meet trial eligibility criteria, failure of participants to complete the clinical trial, delay or failure to obtain Institutional Review Board ("IRB") or regulatory approval to conduct a clinical trial at a prospective site, unexpected adverse events and shortages of available drug supply. Participant enrollment is a function of many factors, including the size of the relevant population, the proximity of participants to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments.

Failure by us or our CROs to conduct a clinical study in accordance with GCP standards and other applicable regulatory requirements could result in disqualification of the clinical trial from consideration in support of approval of a potential product.

We are responsible for conducting our clinical trials consistent with GCP standards and for oversight of our vendors to ensure that they comply with such standards. We depend on medical institutions and CROs to conduct our clinical trials in compliance with GCP. To the extent that they fail to comply with GCP standards, fail to enroll participants for

our clinical trials, or are delayed for a significant time in the execution of our trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business.

Clinical trials must be conducted in accordance with FDA or other applicable foreign government guidelines and are subject to oversight by the FDA, other foreign governmental agencies and IRBs at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with supplies of our product candidates produced under GMP and other requirements in foreign countries, and may require large numbers of participants.

The FDA or other foreign governmental agencies or we ourselves could delay, suspend or halt our clinical trials of a product candidate for numerous reasons, including:

- deficiencies in the trial design;
- deficiencies in the conduct of the clinical trial including failure to conduct the clinical trial in accordance with regulatory requirements or clinical protocols;
- deficiencies in the clinical trial operations or trial sites resulting in the imposition of a clinical hold;
- the product candidate may have unforeseen adverse side effects, including fatalities, or a determination may be made that a clinical trial presents unacceptable health risks;
- the time required to determine whether the product candidate is effective may be longer than expected;
- fatalities or other adverse events arising during a clinical trial that may not be related to clinical trial treatments;
- the product candidate may appear to be no more effective than current therapies;
- the quality or stability of the product candidate may fail to conform to acceptable standards;
- our inability to produce or obtain sufficient quantities of the product candidate to complete the trials;
- our inability to reach agreement on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- our inability to obtain IRB approval to conduct a clinical trial at a prospective site;
- our inability to obtain regulatory approval to conduct a clinical trial;
- lack of adequate funding to continue the clinical trial, including the occurrence of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and increased expenses associated with the services of our CROs and other third parties;
- our inability to recruit and enroll individuals to participate in clinical trials for reasons including competition from other clinical trial programs for the same or similar indications; or
- our inability to retain participants who have initiated a clinical trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy or personal issues, or who are lost to further follow-up.

In addition, we may experience significant setbacks in advanced clinical trials, even after promising results in earlier trials, such as unexpected adverse events that occur when our product candidates are combined with other therapies and drugs or given to larger populations, which often occur in later-stage clinical trials. In addition, clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Also, patient advocacy groups and parents of trial participants may demand additional clinical trials or continued access to drug even if our interpretation of clinical results received thus far leads us to determine that additional clinical trials or continued access are unwarranted. Any disagreement with patient advocacy groups or parents of trial participants may require management's time and attention and may result in legal proceedings being instituted against us, which could be expensive, time-consuming and distracting, and may result in delay of the program. Negative or inconclusive results or adverse medical events, including participant fatalities that may be attributable to our product candidates, during a clinical trial may necessitate that it be redesigned, repeated or terminated. Further, some of our clinical trials may be overseen by a DSMB, and the DSMB may determine to delay or suspend one or more of these trials due to safety or futility findings based on events occurring during a clinical trial. Any such delay, suspension, termination or request to repeat or redesign a trial could increase our costs and prevent or significantly delay our ability to commercialize our product candidates.

HEPLISAV-B and most of our earlier stage programs rely on oligonucleotide TLR agonists. Serious adverse event data relating to either 1018 or other TLR agonists may require us to reduce the scope of or discontinue our operations.

HEPLISAV-B incorporates 1018, a TLR9 agonist CPG oligonucleotide, and most of our research and development programs use similar oligonucleotides. If any of our product candidates in clinical trials produce serious adverse event data, we may be required to delay, discontinue or modify our clinical trials or our clinical trial strategy. Most of our clinical product candidates contain oligonucleotides, and if a common safety risk across therapeutic areas were identified, it may hinder our ability to enter into potential collaboration arrangements or commercialize our product candidates. If adverse event data are found to apply to our TLR agonist and/or inhibitor technology as a whole, we may be required to significantly reduce or discontinue our operations.

28

We have no commercialization experience, and the time and resources to develop sales, marketing and distribution capabilities for HEPLISAV-B are significant. If we fail to achieve and sustain commercial success for HEPLISAV-B, either independently or with a partner, our business would be harmed.

Our lead product candidate, HEPLISAV-B, if approved, would require us to establish sales, marketing and distribution capabilities, or make arrangements with third parties to perform these services. These efforts will require resources and time and we may not be able to enter into these arrangements on acceptable terms. In particular, significant resources may be necessary to successfully market, sell and distribute HEPLISAV-B to patients with diabetes, a group recently recommended by the CDC and ACIP to receive hepatitis B vaccination. Moreover, our pricing and reimbursement strategies with respect to our initial approval plans for HEPLISAV-B may significantly impact our ability to achieve commercial success in this potential patient population.

If we, or our partners, if any, are not successful in setting our marketing, pricing and reimbursement strategy, recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty commercializing HEPLISAV-B, which would adversely affect our business and financial condition. To the extent we rely on other pharmaceutical or biotechnology companies with established sales, marketing and distribution systems to market HEPLISAV-B, we will need to establish and maintain partnership arrangements, and we may not be able to enter into these arrangements on acceptable terms or at all. To the extent that we enter into co-promotion or other arrangements, certain revenues we receive will depend upon the efforts of third parties, which may not be successful and are only partially in our control.

We rely on our facility in Düsseldorf, Germany and third parties to supply materials or perform processes necessary to manufacture our product candidates. We rely on a limited number of suppliers to produce the oligonucleotide we will require for commercialization. Additionally, we have limited experience in manufacturing our product candidates in commercial quantities.

We rely on our facility in Düsseldorf and third parties to perform the multiple processes involved in manufacturing our product candidates, including 1018, certain antigens, the combination of the oligonucleotide and the antigens, and the formulation, fill and finish. Termination or interruption of these relationships may occur due to circumstances that are outside of our control, resulting in higher cost or delays in our product development or commercialization efforts.

We have relied on a limited number of suppliers to produce oligonucleotides for clinical trials and a single supplier to produce our 1018 for HEPLISAV-B. To date, we have manufactured only small quantities of oligonucleotides ourselves for development purposes. If we were unable to maintain our existing supplier for 1018, we would have to establish an alternate qualified manufacturing capability, which would result in significant additional operating costs and delays in developing and commercializing our product candidates, particularly HEPLISAV-B. We or other third parties may not be able to produce 1018 at a cost, quantity and quality that are available from our current third-party supplier.

We currently utilize our facility in Düsseldorf to manufacture rHBsAg for HEPLISAV-B. The commercial manufacturing of biological products is a time-consuming and complex process, which must be performed in compliance with GMP regulations. As part of the review of our BLA filing for HEPLISAV-B, the FDA requested additional data regarding our manufacturing process validation program as well as clarifying information on the manufacturing controls and facilities and there can be no assurance that our responses will be sufficient to meet the FDA requirements for GMP manufacturing.

In addition, we may not be able to comply with ongoing and comparable foreign regulations, and our manufacturing process may be subject to delays, disruptions or quality control/quality assurance problems. Noncompliance with these regulations or other problems with our manufacturing process may limit, delay or disrupt the commercialization of HEPLISAV-B and could result in significant expense. Moreover, depending on the level of market acceptance of HEPLISAV-B, if approved, we may not have the capacity in our existing facility to meet all of our future commercial

supply needs. Our current manufacturing capacity could supply up to approximately 2 million doses of rHBsAg annually, and our ability to expand Düsseldorf manufacturing capacity by improving utilization in our existing facility, improving upon our current production yields or using a new facility will take time to implement and could result in substantial cost. In the event that demand exceeds our current capacity plans, we may experience a shortage in supply of HEPLISAV-B, which could have a material adverse effect on the success of HEPLISAV-B. Likewise, in the event that HEPLISAV-B is not approved, we would have to consider other alternatives for the facility in Düsseldorf, including its sale or closure, and any such efforts would be complex, expensive, and time-consuming.

If we receive regulatory approval for our product candidates, we will be subject to ongoing FDA and foreign regulatory obligations and continued regulatory review.

We and our third party suppliers are required to comply with applicable GMP regulations and other international regulatory requirements. The regulations require that our product candidates be manufactured and our records maintained in a prescribed manner with respect to manufacturing, testing and quality control/quality assurance activities. Suppliers of key components and materials must be named in a BLA submitted to the FDA for any product candidate for which we are seeking FDA approval. Additionally, these third parties and our manufacturing facility must undergo a pre-approval inspection before we can obtain marketing authorization for any of

our product candidates. Even after a manufacturer has been qualified by the FDA, the manufacturer must continue to expend time, money and effort in the area of production and quality control to ensure full compliance with GMP. Manufacturers are subject to regular, periodic inspections by the FDA following initial approval. Further, to the extent that we contract with third parties for the manufacture of our products, our ability to control third-party compliance with FDA requirements will be limited to contractual remedies and rights of inspection.

If, as a result of the FDA's inspections, it determines that the equipment, facilities, laboratories or processes do not comply with applicable FDA regulations and conditions of product approval, the FDA may not approve the product or may suspend the manufacturing operations. If the manufacturing operations of any of the suppliers for our product candidates are suspended, we may be unable to generate sufficient quantities of commercial or clinical supplies of product to meet market demand, which would harm our business. In addition, if delivery of material from our suppliers were interrupted for any reason, we might be unable to ship our approved product for commercial supply or to supply our products in development for clinical trials. Significant and costly delays can occur if the qualification of a new supplier is required.

Any regulatory approvals that we receive for our product candidates are likely to contain requirements for post-marketing follow-up studies, which may be costly. Product approvals, once granted, may be modified based on data from subsequent studies or commercial use. As a result, limitations on labeling indications or marketing claims, or withdrawal from the market may be required if problems occur after commercialization.

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

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

We may introduce certain of our product candidates, including HEPLISAV-B, in various markets outside the U.S. Developing, seeking regulatory approval for and marketing our product candidates outside the U.S. could impose substantial burdens on our resources and divert management's attention from domestic operations. International operations are subject to risk, including:

- the difficulty of managing geographically distant operations, including recruiting and retaining qualified employees, locating adequate facilities and establishing useful business support relationships in the local community;
- compliance with varying international regulatory requirements, laws and treaties;
- securing international distribution, marketing and sales capabilities;
- adequate protection of our intellectual property rights;
- obtaining regulatory and pricing approvals at a level sufficient to justify commercialization;
- legal uncertainties and potential timing delays associated with tariffs, export licenses and other trade barriers;
- diverse tax consequences;
- the fluctuation of conversion rates between foreign currencies and the U.S. dollar; and
- regional and geopolitical risks.

We have withdrawn our MAA for HEPLISAV-B in Europe and we may not be able to provide sufficient data or respond to other comments to our previously filed MAA sufficient to obtain regulatory approvals in Europe in a reasonable time period or at all. Any failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in other jurisdictions. If we are unable to successfully manage our international operations, we may incur significant unanticipated costs and delays in regulatory approval or commercialization of our product candidates, which would impair our ability to generate revenues.

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

Even if we obtain regulatory approval for our product candidates and are able to commercialize them, our products may not gain market acceptance among physicians, patients, healthcare payors and the medical community.

The degree of market acceptance of any of our approved products will depend upon a number of factors, including:

- the indication for which the product is approved and its approved labeling;
- the presence of other competing approved therapies;
- the potential advantages of the product over existing and future treatment methods;
- the relative convenience and ease of administration of the product;
- the strength of our sales, marketing and distribution support;
- the price and cost-effectiveness of the product; and
- sufficient third-party reimbursement.

The FDA or other regulatory agencies could limit the labeling indication for which our product candidates may be marketed or could otherwise limit marketing efforts for our products. If we are unable to achieve approval or successfully market any of our product candidates, or marketing efforts are restricted by regulatory limits, our ability to generate revenues could be significantly impaired.

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

In both domestic and foreign markets, our ability to achieve profitability will depend in part on the negotiation of a favorable price or the availability of appropriate reimbursement from third party payors, in particular for HEPLISAV-B where existing products are already marketed. While in the U.S., pricing for hepatitis B vaccines is currently stable and reimbursement is favorable as private and public payors recognize the value of prophylaxis in this setting given the high costs of potential morbidity and mortality, there can be no assurance that HEPLISAV-B would launch with stable pricing and favorable reimbursement.

Existing laws affecting the pricing and coverage of pharmaceuticals and other medical products by government programs and other third party payors may change before any of our product candidates are approved for marketing. In addition, third party payors are increasingly challenging the price and cost-effectiveness of medical products and services, and pricing and reimbursement decisions may not allow our products to compete effectively with existing or competitive products. Because we intend to offer products, if approved, that involve new technologies and new approaches to treating disease, the willingness of third party payors to reimburse for our products is uncertain. We will have to charge a price for our products that is sufficient to enable us to recover our considerable investment in product development and our operating costs. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to achieve profitability and could harm our future prospects and reduce our stock price.

We are unable to predict what impact the Health Care and Education Reconciliation Act of 2010 or other reform legislation will have on our business or future prospects. The uncertainty as to the nature and scope of the implementation of any proposed reforms limits our ability to forecast changes that may affect our business. In Europe, the success of our products, in particular HEPLISAV-B, will depend largely on obtaining and maintaining government reimbursement because many providers in European countries are unlikely to use medical products that are not reimbursed by their governments. Many countries in Europe have adopted legislation and increased efforts to control prices of healthcare products. We are unable to predict the impact these actions will have on our business or future prospects.

We rely on CROs to conduct our clinical trials. If these third parties do not fulfill their contractual obligations or meet expected deadlines, our planned clinical trials may be delayed and we may fail to obtain the regulatory approvals necessary to commercialize our product candidates.

We rely on third parties to conduct our clinical trials. If these third parties do not perform their obligations or meet expected deadlines our planned clinical trials may be extended, delayed, modified or terminated. While we conduct regular reviews of the data, we are dependent on the processes and quality control efforts of our third party contractors to ensure that detailed, quality records are maintained to support the results of the clinical trials that they are

conducting on our behalf. Any extension, delay, modification or termination of our clinical trials or failure to ensure adequate documentation and the quality of the results in the clinical trials could delay or otherwise adversely affect our ability to commercialize our product candidates and could have a material adverse effect on our business and operations.

A key part of our business strategy is to establish collaborative relationships to commercialize and fund development of our product candidates. We may not succeed in establishing and maintaining collaborative relationships, which may significantly limit our ability to develop and commercialize our products successfully, if at all.

Notwithstanding our initial plans to launch HEPLISAV-B in the U.S., we may establish collaborative relationships to obtain domestic and international sales, marketing and distribution capabilities for our product candidates, in particular with respect to the commercialization of HEPLISAV-B, if approved. Failure to obtain a collaborative relationship for HEPLISAV-B, particularly in the European Union and for other markets requiring extensive sales efforts, may significantly impair the potential for this product, and our recent withdrawal of our MAA increases the risk that we may be unable to enter into a collaborative relationship prior to regulatory approval. The process of establishing and maintaining collaborative relationships is difficult, time-consuming and involves significant uncertainty, including:

- our partners may seek to renegotiate or terminate their relationships with us due to unsatisfactory clinical results, manufacturing issues, a change in business strategy, a change of control or other reasons;
- our shortage of capital resources may impact the willingness of companies to collaborate with us;
- our contracts for collaborative arrangements are terminable at will on written notice and may otherwise expire or terminate and we may not have alternative funding available;
- our partners may choose to pursue alternative technologies, including those of our competitors;
- we may have disputes with a partner that could lead to litigation or arbitration;
- we have limited control over the decisions of our partners and they may change the priority of our programs in a manner that would result in termination of the agreement or add significant delay in the partnered program;
- our ability to generate future payments and royalties from our partners depends upon the abilities of our partners to establish the safety and efficacy of our drug candidates, obtain regulatory approvals and successfully manufacture and achieve market acceptance of products developed from our drug candidates;
- we or our partners may fail to properly initiate, maintain or defend our intellectual property rights, where applicable, or a party may use our proprietary information in such a way as to invite litigation that could jeopardize or potentially invalidate our proprietary information or expose us to potential liability;
- our partners may not devote sufficient capital or resources towards our product candidates; and
- our partners may not comply with applicable government regulatory requirements.

If any collaborator fails to fulfill its responsibilities in a timely manner, or at all, our research, clinical development, manufacturing or commercialization efforts pursuant to that collaboration could be delayed or terminated, or it may be necessary for us to assume responsibility for expenses or activities that would otherwise have been the responsibility of our collaborator. If we are unable to establish and maintain collaborative relationships on acceptable terms or to successfully transition terminated collaborative agreements, we may have to delay or discontinue further development of one or more of our product candidates, undertake development and commercialization activities at our own expense or find alternative sources of capital.

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

We compete with pharmaceutical companies, biotechnology companies, academic institutions and research organizations, in developing therapies to prevent or treat infectious and inflammatory diseases. For example, if it is approved in the future, HEPLISAV-B will compete in the U.S. with established hepatitis B vaccines marketed by Merck and GSK and outside the U.S. with vaccines from those companies and several additional established pharmaceutical companies. Competitors may develop more effective, more affordable or more convenient products or may achieve earlier patent protection or commercialization of their products. These competitive products may render our product candidates obsolete or limit our ability to generate revenues from our product candidates.

Existing and potential competitors may also compete with us for qualified scientific and management personnel, as well as for technology that would be advantageous to our business. Although certain of our employees have commercialization experience, as a company we currently have limited sales, marketing and distribution capabilities. Our success in developing marketable products and achieving a competitive position will depend, in part, on our ability to attract and retain qualified personnel. If we do not succeed in attracting new personnel and retaining and motivating existing personnel, our operations may suffer and we may be unable to obtain financing, enter into collaborative arrangements, sell our product candidates or generate revenues.

As we evolve from a company primarily involved in research and development to a company potentially involved in commercialization, we may encounter difficulties in managing our growth and expanding our operations successfully.

If we are successful in advancing HEPLISAV-B through the development stage towards commercialization, we will need to expand our organization, including adding marketing and sales capabilities or contracting with third parties to provide these capabilities for us. As our operations expand, we expect that we will also need to manage additional relationships with various collaborative partners, suppliers and other third parties. Future growth will impose significant added responsibilities on our organization, in particular on management. Our future financial performance and our ability to commercialize HEPLISAV-B and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we may not be able to manage our growth efforts effectively, and hire, train and integrate additional management, administrative and sales and marketing personnel, and our failure to accomplish any of these activities could prevent us from successfully growing our company.

If we fail to comply with the extensive requirements applicable to biopharmaceutical manufacturers and marketers under the healthcare fraud and abuse laws of the jurisdictions in which we conduct our business, we may be subject to significant liability.

Our activities, and the activities of our agents, including some contracted third parties, are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. If we obtain approval for and commercialize a vaccine or other product, our interactions with physicians and others in a position to prescribe or purchase our products will be subject to a legal regime designed to prevent healthcare fraud and abuse. Relevant U.S. laws include:

- the Anti-Kickback Statute, which prohibits persons from, among other things, knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal health care programs, such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, claims for payment to the government or its agents that are false or fraudulent;
- laws that require transparency regarding financial arrangements with health care professionals, such as the reporting and disclosure requirements imposed by the Patient Protection and Affordable Care Act (“PPACA”) and state laws; and
- state law equivalents of each of the federal laws described above, such as anti-kickback and false claims laws which may apply to items or services reimbursed by state health insurance programs or any third-party payer, including commercial insurers.

The Office of Inspector General for the Department of Health and Human Services, the Department of Justice, states’ Attorneys General and other governmental authorities actively enforce the laws and regulations discussed above. These entities also coordinate extensively with the FDA, using legal theories that connect violations of the Federal Food, Drug and Cosmetic Act (such as off-label promotion) to the eventual submission of false claims to government healthcare programs. Prosecution of such promotion cases under the healthcare fraud and abuse laws provides the potential for private parties (qui tam relators, or “whistleblowers”) to initiate cases on behalf of the government and provides for significantly higher penalties upon conviction.

In the U.S., pharmaceutical and biotechnology companies have been the target of numerous government prosecutions and investigations alleging violations of law, including claims asserting impermissible off-label promotion of pharmaceutical products, payments intended to influence the referral of federal or state health care business, submission of false claims for government reimbursement, or submission of incorrect pricing information.

Violations of any of the laws described above or any other applicable governmental regulations and other similar foreign laws may subject us, our employees or our agents to criminal and/or civil sanctions, including fines, civil monetary penalties, exclusion from participation in government health care programs (including Medicare and Medicaid), and the restriction or restructuring of our operations, any of which could adversely affect our ability to

operate our business and our financial results. Additionally, whether or not we have complied with the law, an investigation into alleged unlawful conduct may cause us to incur significant expense, cause reputational damage, divert management time and attention, and otherwise adversely affect our business. While we have developed and instituted a corporate compliance program, we cannot guarantee that we, our employees, our consultants, contractors, or other agents are or will be in compliance with all applicable U.S. or foreign laws.

We expect there will continue to be federal and state laws and/or regulations, proposed and implemented, that could impact our operations and business. The extent to which future legislation or regulations, if any, relating to health care fraud and abuse laws and/or enforcement, may be enacted or what effect such legislation or regulation would have on our business remains uncertain.

The loss of key personnel, including our Chief Executive Officer, could delay or prevent achieving our objectives.

We depend on our senior executive officers, as well as key scientific and other personnel. Our research, product development and business efforts could be adversely affected by the loss of one or more key members of our scientific or management staff, including our Chief Executive Officer. We currently have no key person insurance on any of our employees.

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

While we have not experienced any product liability claims to date, the use of any of our product candidates in clinical trials and the sale of any approved products will subject us to potential product liability claims and may raise questions about a product's safety and efficacy. As a result, we could experience a delay in our ability to commercialize one or more of our product candidates or reduced sales of any approved product candidates. In addition, a product liability claim may exceed the limits of our insurance policies and exhaust our internal resources. We have obtained limited clinical trial liability and umbrella insurance coverage for our clinical trials. This coverage may not be adequate or may not continue to be available in sufficient amounts, at an acceptable cost or at all. We also may not be able to obtain commercially reasonable product liability insurance for any product approved for marketing in the future. A product liability claim, product recalls or other claims, as well as any claims for uninsured liabilities or in excess of insured liabilities, would divert our management's attention from our business and could result in significant financial liability.

We are involved in legal actions that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.

A consolidated securities class action lawsuit against us is pending and purported stockholder derivative complaints have been brought against us. Any negative outcome from such lawsuits could result in payments of monetary damages or fines, or adversely affect our products, and accordingly our business, financial condition, or results of operations could be materially and adversely affected.

There can be no assurance that a favorable final outcome will be obtained in these cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of monetary damages or fines not covered by insurance, or we may decide to settle lawsuits on unfavorable terms, which could adversely affect our business, financial conditions, or results of operations.

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

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

Significant disruptions of information technology systems or breaches of data security could adversely affect our business.*

Our business is increasingly dependent on critical, complex and interdependent information technology systems, including Internet based systems, to support business processes as well as internal and external communications. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and computer viruses that may result in the impairment of key business processes.

In addition, our systems are potentially vulnerable to data security breaches—whether by employees or others—that may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personally identifiable information (including sensitive personal information) of our employees, collaborators, clinical trial patients, and others. A data security breach or privacy violation that leads to disclosure or modification of or prevents access to patient information, including personally identifiable information or protected health information, could harm our reputation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenue. If we are unable to prevent such data security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient

data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events.

Such disruptions and breaches of security could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Finances and Capital Requirements

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

We have experienced significant net losses in each year since our inception. Our accumulated deficit was $642.7 million as of June 30, 2015. To date, our revenue has resulted from collaboration agreements, government and private agency grants and services and license fees from our customers, including the customers of our wholly-owned subsidiary Dynavax GmbH (formerly known as Rhein Biotech GmbH). We anticipate that we will incur substantial additional net losses in future years as a result of our continuing investment in research and development activities and our addition of infrastructure and operations to support further development and regulatory approval of HEPLISAV-B.

We do not have any products that generate revenue. There can be no assurance whether HEPLISAV-B can be successfully developed, financed or commercialized in a timely manner based on our current plans. There can be no assurance that we will be able to achieve approval or generate meaningful sales without significant additional resources. Our ability to generate revenue depends upon obtaining regulatory approvals for our product candidates, generating product sales and entering into and maintaining successful collaborative relationships.

If we are unable to generate significant revenues or achieve profitability, we may be required to reduce or discontinue our current and planned operations, enter into a transaction that constitutes a change in control of the company or raise additional capital on less than favorable terms.

If we are unable to generate significant revenues or achieve profitability, we will require substantial additional capital to continue development of our product candidates and if our most advanced candidate, HEPLISAV-B, is approved, to commence sales and marketing activities.

To continue development of our product candidates and, if it is approved, to launch HEPLISAV-B, we will need significant additional funds. Addressing this need may occur through strategic alliance and licensing arrangements and/or future public or private financings. We expect to continue to spend substantial funds in connection with:

- development, manufacturing and, if approved, commercialization of our product candidates, particularly HEPLISAV-B;
- various human clinical trials for our product candidates; and
- protection of our intellectual property.

We currently estimate that we have sufficient resources to meet our anticipated cash needs through at least the next 12 months based on cash, cash equivalents and marketable securities on hand as well as anticipated revenues and funding from existing agreements.

Sufficient additional financing through future public or private financings, strategic alliance and licensing arrangements or other financing sources may not be available on acceptable terms or at all. In July 2015, we completed an equity financing resulting in net proceeds of $134.8 million. Additional equity financings, if completed, could result in significant dilution or otherwise adversely affect the rights of existing stockholders. If adequate funds

are not available in the future, we may need to delay, reduce the scope of, or put on hold the HEPLISAV-B program or other development programs while we seek strategic alternatives.

Risks Related to our Intellectual Property

We rely on licenses to intellectual property from third parties. Impairment of these licenses or our inability to maintain them would severely harm our business.

Our current research and development efforts depend in part upon our license arrangements for intellectual property owned by third parties. Our dependence on these licenses subjects us to numerous risks, such as disputes regarding the use of the licensed intellectual property and the creation and ownership of new discoveries under such license agreements. In addition, these license arrangements require us to make timely payments to maintain our licenses and typically contain diligence or milestone-based

termination provisions. Our failure to meet any obligations pursuant to these agreements could allow our licensors to terminate our agreements or undertake other remedies such as converting exclusive to non-exclusive licenses if we are unable to cure or obtain waivers for such failures or amend such agreements on terms acceptable to us. In addition, our license agreements may be terminated or may expire by their terms, and we may not be able to maintain the exclusivity of these licenses. If we cannot obtain and maintain licenses that are advantageous or necessary to the development or the commercialization of our product candidates, we may be required to expend significant time and resources to develop or license similar technology or to find other alternatives to maintaining the competitive position of our products. If such alternatives are not available to us in a timely manner or on acceptable terms, we may be unable to continue development or commercialize our product candidates. In the absence of a current license, we may be required to redesign our technology so it does not infringe a third party's patents, which may not be possible or could require substantial funds and time.

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

We may be exposed to future litigation by third parties based on claims that our product candidates or proprietary technologies infringe their intellectual property rights, or we may be required to enter into litigation to enforce patents issued or licensed to us or to determine the ownership, scope or validity of our or another party's proprietary rights, including a challenge as to the validity of our issued and pending claims. From time to time we are involved in various interference and other administrative proceedings related to our intellectual property which has caused us to incur certain legal expenses. If we become involved in any litigation and/or other significant interference proceedings related to our intellectual property or the intellectual property of others, we will incur substantial additional expenses and it will divert the efforts of our technical and management personnel.

Two of our potential competitors, Merck and GSK, are exclusive licensees of broad patents covering methods of production of rHBsAg, a component of HEPLISAV-B. In addition, the Institut Pasteur also owns or has exclusive licenses to patents relating to aspects of production of rHBsAg. While some of these patents have expired or will soon expire outside the U.S., they remain in force in the U.S. To the extent we are able to commercialize HEPLISAV-B in the U.S. while these patents remain in force, Merck, GSK or their respective licensors or the Institut Pasteur may bring claims against us.

If we or our collaborators are unsuccessful in defending or prosecuting our issued and pending claims or in defending potential claims against our products, for example, as may arise in connection with the commercialization of HEPLISAV-B or any similar product candidate, we or our collaborator could be required to pay substantial damages or be unable to commercialize our product candidates or use our proprietary technologies without a license from such third party. A license may require the payment of substantial fees or royalties, require a grant of a cross-license to our technology or may not be available on acceptable terms, if at all. Any of these outcomes could require us to change our business strategy and could materially impact our business and operations.

One of our potential competitors, Pfizer, has issued patent claims, as well as patent claims pending with the PTO and foreign patent offices, that may be asserted against our TLR agonist products and our TLR inhibitor products. We may need to obtain a license to one or more of these patent claims held by Pfizer by paying fees or royalties or offering rights to our own proprietary technologies to commercialize one or more of our formulations other than with respect to HEPLISAV-B, for which we have a license. A license for other uses may not be available to us on acceptable terms, if at all, which could preclude or limit our ability to commercialize our products.

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

Our success depends on our ability to:

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

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

The biopharmaceutical patent environment outside the U.S. is even more uncertain. We may be particularly affected by this uncertainty since several of our product candidates may initially address market opportunities outside the U.S., where we may only be able to obtain limited patent protection.

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

- we may not receive an issued patent for any of our patent applications or for any patent applications that we have exclusively licensed;
- the pending patent applications we have filed or to which we have exclusive rights may take longer than we expect to result in issued patents;
- the claims of any patents that are issued may not provide meaningful protection or may not be valid or enforceable;
- we might not be able to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us or our collaborators may not provide a competitive advantage;
- patents issued to other parties may limit our intellectual property protection or harm our ability to do business;
- other parties may independently develop similar or alternative technologies or duplicate our technologies and commercialize discoveries that we attempt to patent; and
- other parties may design around technologies we have licensed, patented or developed.

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

Risks Related to an Investment in our Common Stock

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

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

- progress or results of any of our clinical trials or regulatory or manufacturing efforts, in particular any announcements regarding the progress or results of our planned trials and BLA filing and communications from the FDA or other regulatory agencies;
- our ability to establish and maintain collaborations for the development and commercialization of our product candidates;
- our ability to raise additional capital to fund our operations;
- technological innovations, new commercial products or drug discovery efforts and preclinical and clinical activities by us or our competitors;
- changes in our intellectual property portfolio or developments or disputes concerning the proprietary rights of our products or product candidates;
- our ability to obtain component materials and successfully enter into manufacturing relationships for our product candidates or establish manufacturing capacity on our own;
- our ability to establish and maintain licensing agreements for intellectual property necessary for the development of our product candidates;
- changes in government regulations, general economic conditions or industry announcements;
- issuance of new or changed securities analysts’ reports or recommendations;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- our ability to maintain continued listing on the NASDAQ markets or similar exchanges; and
- the volume of trading in our common stock.

37

One or more of these factors could cause a substantial decline in the price of our common stock. In addition, securities class action litigation has often been brought against a company following a decline in the market price of its securities. We are currently the target of such securities litigation, resulting from the decline in our common stock following the disclosure in 2013 that the FDA would not approve HEPLISAV-B for sale without a significant additional clinical study. We may in the future be the target of additional such litigation. Securities litigation could result in substantial costs, and divert management's attention and resources, which could harm our business, operating results and financial condition.

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

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

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

Our share purchase rights plan may have certain anti-takeover effects. Specifically, the rights issued pursuant to the plan will cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by our Board of Directors. Although the rights should not interfere with any merger or other business combination approved by the Board of Directors since the rights issued may be amended to permit such acquisition or redeemed by the Company at $0.001 per right prior to the earliest of (i) the time that a person or group has acquired beneficial ownership of 20% or more of our common stock or (ii) the final expiration date of the rights, the effect of the rights plan may deter a potential acquisition of the Company. In addition, we remain subject to the provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for three years unless the holder's acquisition of our stock was approved in advance by our Board of Directors.

We will continue to incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could affect our operating results.

As a public company, we will continue to incur legal, accounting and other expenses associated with reporting requirements and corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as new rules implemented by the SEC and the NASDAQ Stock Market LLC. We may need to continue to implement additional financial and accounting systems, procedures and controls to accommodate changes in our business and organization and to comply with new reporting requirements. There can be no assurance that we will be able to maintain a favorable assessment as to the adequacy of our internal control over financial reporting. If we are unable to reach an unqualified assessment, or our independent registered public accounting firm is unable to issue an unqualified attestation as to the effectiveness of our internal control over financial reporting as of the end of our fiscal year, investors could lose confidence in the reliability of our financial reporting which could harm our business and could impact the price of our common stock.

Future sales of our common stock or the perception that such sales may occur in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. As of June 30, 2015, we had 30,237,147 shares of common stock outstanding, all of which shares were eligible for sale in the public market, subject in some cases to the volume limitations and manner of sale requirements under Rule 144 of the Securities Act of 1933, as amended.

In addition, we have filed shelf registration statements on Form S-3 under the Securities Act of 1933, as amended, to register securities that we may choose to issue in the future and on Form S-8 to register the shares of our common stock reserved for issuance under our stock option plans.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
None.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS

Exhibit Number	Document	Incorporated by Reference Exhibit Number	Filing	Filing Date	File No.	Filed Herewith
10.1+	Amended and Restated 2011 Equity Incentive Plan	Appendix A	DEF 14A	April 21, 2015	001-34207	
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Chief Executive Officer to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

EX—101.INS XBRL Instance Document

EX—101.SCHXBRL Taxonomy Extension Schema Document

EX—101.CALXBRL Taxonomy Extension Calculation Linkbase Document

EX—101.DEFXBRL Taxonomy Extension Definition Linkbase

EX—101.LABXBRL Taxonomy Extension Labels Linkbase Document

EX—101.PREXBRL Taxonomy Extension Presentation Linkbase Document

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+Indicates management contract, compensatory plan or arrangement.

*The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

DYNAVAX TECHNOLOGIES CORPORATION

Date: August 7, 2015 By: /s/ EDDIE GRAY
Eddie Gray
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2015 By: /s/ MICHAEL OSTRACH
Michael Ostrach
Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2015 By: /s/ DAVID JOHNSON
David Johnson
Vice President
(Principal Accounting Officer)

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