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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2021

☐ **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 001-37998

JOUNCE THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**45-4870634**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
780 Memorial Drive Cambridge, Massachusetts	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (857) 259-3840

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	JNCE	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of July 30, 2021, there were 51,232,029 shares of common stock, $0.001 par value per share, outstanding.

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References to Jounce

Throughout this Quarterly Report on Form 10-Q, the "Company," "Jounce," "Jounce Therapeutics," "we," "us," and "our," except where the context requires otherwise, refers to Jounce Therapeutics, Inc. and its consolidated subsidiary, and "board of directors" refers to the board of directors of Jounce Therapeutics, Inc.

Cautionary Note Regarding Forward-Looking Statements and Industry Data

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "may," "plan," "potential," "predict," "project," "target," "will" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the timing, progress, and results of preclinical studies and clinical trials for our current and future product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, and our research and development programs;
- our plans and expectations in light of the COVID-19 pandemic and its impacts on our operations and global healthcare systems;
- the timing, scope, or likelihood of regulatory filings and approvals, including, as applicable, timing of our investigational new drug applications for, biologics license application filing for, and final Food and Drug Administration approval of our current and future product candidates;
- our ability to use our Translational Science Platform to identify targets for future product candidates and to match immunotherapies to select patient subsets;
- our ability to identify, develop and advance future product candidates into, and successfully complete, clinical studies;
- our ability to develop combination therapies, whether on our own or in collaboration with third parties, for our current and future product candidates;
- our expectations regarding the size of the patient populations for our product candidates, if approved for commercial use, and any product candidates we may develop;
- our commercialization and marketing capabilities and strategy;
- the pricing and reimbursement of our current and future product candidates, if approved;
- the implementation of our business model and our strategic plans for our business, our current and future product candidates, and our technology;
- our ability to develop and commercialize a companion diagnostic or complementary diagnostic for our current and future product candidates;
- the rate and degree of market acceptance and clinical utility of our current and future product candidates;
- the potential benefits of our exclusive license of JTX-1811 to Gilead Sciences, Inc.;
- our ability to establish or maintain future collaborations or strategic relationships or obtain additional funding;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering our current and future product candidates, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- our competitive position, and developments and projections relating to our competitors and our industry;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and

- the impact of laws and regulations.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. You should also read carefully the factors described in the sections “Summary of Risks Factors” and “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this Quarterly Report on Form 10-Q, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This Quarterly Report on Form 10-Q may include industry and market data, which we may obtain from our own internal estimates and research, as well as from industry and general publications and research, surveys, and studies conducted by third parties. Industry publications, studies, and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources.

Website and Social Media Disclosure

From time to time, we may use our website (www.jouncetx.com), investor and media relations website (http://ir.jouncetx.com), Facebook page (https://www.facebook.com/jouncetx), LinkedIn page (https://www.linkedin.com/company/3494537/) and Twitter feed (https://twitter.com/JounceTx) as channels for the distribution of information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, Securities and Exchange Commission filings and public conference calls and webcasts. The contents of our website and social media channels are not, however, a part of this report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Jounce Therapeutics, Inc.
Condensed Consolidated Balance Sheets (unaudited)
(amounts in thousands, except par value amounts)

	June 30, 2021	December 31, 2020
Assets:		
Current assets:		
Cash and cash equivalents	$ 140,814	$ 147,493
Short-term investments	79,319	58,985
Accounts receivable — related party	24,976	31
Prepaid expenses and other current assets	12,010	4,882
Total current assets	257,119	211,391
Property and equipment, net	6,026	7,336
Long-term investments	26,015	6,710
Operating lease right-of-use asset	13,403	14,856
Other non-current assets	3,597	3,943
Total assets	$ 306,160	$ 244,236
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$ 2,476	$ 2,036
Accrued expenses	9,853	12,044
Deferred revenue, current — related party	—	1,931
Operating lease liability, current	3,478	3,271
Other current liabilities	34	42
Total current liabilities	15,841	19,324
Operating lease liability, net of current portion	11,857	13,618
Total liabilities	27,698	32,942
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value: 5,000 shares authorized at June 30, 2021 and December 31, 2020; no shares issued or outstanding at June 30, 2021 or December 31, 2020	—	—
Common stock, $0.001 par value: 160,000 shares authorized at June 30, 2021 and December 31, 2020; 51,221 and 41,729 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	51	42
Additional paid-in capital	459,982	362,270
Accumulated other comprehensive income	(24)	(17)
Accumulated deficit	(181,547)	(151,001)
Total stockholders' equity	278,462	211,294
Total liabilities and stockholders' equity	$ 306,160	$ 244,236

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

Jounce Therapeutics, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
(amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue:				
License and collaboration revenue — related party	$ 25,368	$ —	$ 26,907	$ —
Operating expenses:				
Research and development	22,100	21,023	42,607	40,669
General and administrative	7,317	7,226	14,932	14,765
Total operating expenses	29,417	28,249	57,539	55,434
Operating loss	(4,049)	(28,249)	(30,632)	(55,434)
Other income, net	40	285	89	1,035
Loss before provision for income taxes	(4,009)	(27,964)	(30,543)	(54,399)
Provision for income taxes	2	4	3	12
Net loss	$ (4,011)	$ (27,968)	$ (30,546)	$ (54,411)
Net loss per share, basic and diluted	$ (0.08)	$ (0.82)	$ (0.63)	$ (1.60)
Weighted-average common shares outstanding, basic and diluted	51,212	34,053	48,601	34,041
Comprehensive loss:				
Net loss	$ (4,011)	$ (27,968)	$ (30,546)	$ (54,411)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	1	(11)	(7)	79
Comprehensive loss	$ (4,010)	$ (27,979)	$ (30,553)	$ (54,332)

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

Jounce Therapeutics, Inc.
Condensed Consolidated Statements of Stockholders' Equity (unaudited)
(amounts in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2020	41,729	$ 42	$ 362,270	$ (17)	$ (151,001)	$ 211,294
Issuance of common stock from at the market offering, net of issuance costs	3,156	3	30,218	—	—	30,221
Issuance of common stock from follow-on public offering, net of issuance costs	5,750	6	60,632	—	—	60,638
Exercises of common stock options	342	—	1,019	—	—	1,019
Vesting of restricted stock units	223	—	—	—	—	—
Stock-based compensation expense	—	—	2,825	—	—	2,825
Other comprehensive loss	—	—	—	(8)	—	(8)
Net loss	—	—	—	—	(26,535)	(26,535)
Balance at March 31, 2021	51,200	51	456,964	(25)	(177,536)	279,454
Exercises of common stock options	21	—	83	—	—	83
Stock-based compensation expense	—	—	2,935	—	—	2,935
Other comprehensive income	—	—	—	1	—	1
Net loss	—	—	—	—	(4,011)	(4,011)
Balance at June 30, 2021	51,221	$ 51	$ 459,982	$ (24)	$ (181,547)	$ 278,462

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2019	33,738	$ 34	$ 281,664	$ 54	$ (107,159)	$ 174,593
Issuance of common stock from at the market offering, net of issuance cost	201	—	1,648	—	—	1,648
Exercise of common stock options	9	—	38	—	—	38
Vesting of restricted stock units	101	—	—	—	—	—
Stock-based compensation expense	—	—	2,618	—	—	2,618
Other comprehensive income	—	—	—	90	—	90
Net loss	—	—	—	—	(26,443)	(26,443)
Balance at March 31, 2020	34,049	34	285,968	144	(133,602)	152,544
Exercises of common stock options	16	—	61	—	—	61
Stock-based compensation expense	—	—	2,643	—	—	2,643
Other comprehensive loss	—	—	—	(11)	—	(11)
Net loss	—	—	—	—	(27,968)	(27,968)
Balance at June 30, 2020	34,065	$ 34	$ 288,672	$ 133	$ (161,570)	$ 127,269

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

Jounce Therapeutics, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)
(amounts in thousands)

	Six Months Ended June 30,	
	2021	**2020**
Operating activities:		
Net loss	$ (30,546)	$ (54,411)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	5,760	5,261
Depreciation expense	1,501	1,795
Net amortization of premiums and discounts on investments	338	(95)
Other non-cash items	—	(4)
Changes in operating assets and liabilities:		
Accounts receivable — related party	(24,945)	—
Prepaid expenses and other current assets	(7,126)	745
Other non-current assets	345	(128)
Accounts payable	473	741
Accrued expenses and other current liabilities	(2,232)	1,181
Deferred revenue — related party	(1,931)	—
Other liabilities	(101)	(61)
Net cash used in operating activities	(58,464)	(44,976)
Investing activities:		
Purchases of investments	(78,565)	(30,752)
Proceeds from maturities of investments	38,581	95,387
Purchases of property and equipment	(157)	(50)
Net cash (used in) provided by investing activities	(40,141)	64,585
Financing activities:		
Proceeds from at the market offering, net of issuance costs	90,826	1,514
Proceeds from exercise of stock options	1,100	99
Net cash provided by financing activities	91,926	1,613
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,679)	21,222
Cash, cash equivalents and restricted cash, beginning of period	148,763	54,511
Cash, cash equivalents and restricted cash, end of period	$ 142,084	$ 75,733
Non-cash investing and financing activities:		
Purchases of property and equipment in accounts payable and accrued expenses	$ 33	$ —
Stock option exercise receivables in prepaid expenses and other current assets	$ 2	$ —
Supplemental cash flow information:		
Cash paid for lease liabilities	$ 2,626	$ 2,190
Cash paid for income taxes	$ 8	$ 45

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

Jounce Therapeutics, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Nature of Business

Jounce Therapeutics, Inc. (the “Company”) is a clinical-stage immunotherapy company dedicated to transforming the treatment of cancer by developing therapies that enable the immune system to attack tumors and provide long-lasting benefits to patients through a biomarker-driven approach. The Company is subject to a number of risks similar to those of other clinical-stage companies, including dependence on key individuals; the need to develop commercially viable products; competition from other companies, many of which are larger and better capitalized; and the need to obtain adequate additional financing to fund the development of its products.

As of June 30, 2021, the Company had cash, cash equivalents and investments of $246.1 million. The Company expects that its existing cash, cash equivalents and investments will enable it to fund its expected operating expenses and capital expenditure requirements for at least 12 months from August 5, 2021, the filing date of this Quarterly Report on Form 10-Q. The Company expects to finance its future cash needs through a combination of equity or debt financings, collaborations, licensing arrangements and strategic alliances.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements as of June 30, 2021 and December 31, 2020, and for the three and six months ended June 30, 2021 and 2020, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and generally accepted accounting principles in the United States of America (“GAAP”) as found in the Accounting Standards Codification (“ASC”) of the Financial Accounting Standards Board (“FASB”) for condensed consolidated financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these condensed consolidated financial statements reflect all normal recurring adjustments which are necessary for a fair presentation of the Company’s financial position and results of its operations, as of and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 25, 2021 (the “Annual Report on Form 10-K”).

The information presented in the condensed consolidated financial statements and related notes as of June 30, 2021, and for the three and six months ended June 30, 2021 and 2020, is unaudited. The December 31, 2020 condensed consolidated balance sheet included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including notes, required by GAAP for complete financial statements.

Interim results for the six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021, or any future period.

The accompanying condensed consolidated financial statements include the accounts of Jounce Therapeutics, Inc. and its wholly-owned subsidiary, Jounce Mass Securities, Inc. All intercompany transactions and balances have been eliminated in consolidation.

Summary of Significant Accounting Policies

The significant accounting policies and estimates used in the preparation of the condensed consolidated financial statements are described in the Company’s audited financial statements as of and for the year ended December 31, 2020, and the notes thereto, which are included in the Annual Report on Form 10-K. There have been no material changes in the Company’s significant accounting policies during the six months ended June 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates its estimates which include, but are not limited to, accrued expenses, stock-based compensation expense and income taxes. The Company bases its estimates on historical experience and other market specific or other relevant assumptions it believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Recent Accounting Pronouncements, Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used, and it establishes additional disclosure requirements related to credit risks. For available-for-sale debt securities with expected credit losses, this standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. This guidance was originally effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, and early adoption was permitted. In November 2019, the FASB subsequently issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, whereby the effective date of this standard for smaller reporting companies was deferred to annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods, and early adoption is still permitted. Accordingly, the Company will now adopt this standard effective January 1, 2023, and it is currently evaluating the potential impact that ASU 2016-13 may have on the consolidated financial statements.

3. License and Collaboration Revenue

Gilead License Agreement

On August 31, 2020, the Company and Gilead Sciences, Inc. ("Gilead") entered into an exclusive license agreement (the "Gilead License Agreement") to license the Company's JTX-1811 program to Gilead, which will be referred to as GS-1811 in Gilead's pipeline. Concurrently with the license agreement, the Company and Gilead entered into a stock purchase agreement (the "Stock Purchase Agreement") and a registration rights agreement (the "Registration Rights Agreement", and together with the License Agreement and the Stock Purchase Agreement, the "Transaction Agreements"). Pursuant to the Gilead License Agreement, the Company granted to Gilead a worldwide and exclusive license to develop, manufacture and commercialize JTX-1811 and certain derivatives thereof (the "Licensed Products"). Gilead paid the Company a one-time, non-refundable upfront payment of $85.0 million pursuant to the Gilead License Agreement and the Company sold Gilead 5,539,727 shares of common stock pursuant to the Stock Purchase Agreement for proceeds of $35.0 million upon the closing in October 2020. The Company continued to develop JTX-1811 during the initial development term, which included conducting activities defined within the agreement to advance JTX-1811 through the clearance of an investigational new drug application ("IND"), which occurred in June 2021, at which time the program transitioned to Gilead.

Milestone and Royalties

The Company is entitled to receive payments from Gilead upon the achievement of specified clinical, regulatory and sales milestones, including potential clinical development and regulatory milestone payments up to an aggregate total of $510.0 million and potential sales milestone payments up to an aggregate total of $175.0 million.

The Company is also eligible to receive tiered royalty payments based on a percentage of annual worldwide net sales ranging from the high-single digits to mid-teens, based on future annual net sales of the Licensed Products, on a Licensed Product-by-Licensed Product and country-by-country basis.

In June 2021, the Company received clearance of the IND for JTX-1811 from the U.S. Food and Drug Administration ("FDA") and achieved a $25.0 million milestone under the Gilead License Agreement. Payment for this milestone was received in July 2021.

Termination

Gilead may terminate the License Agreement for convenience, at its sole discretion, in its entirety or on a Licensed Product-by-Licensed Product or region-by-region basis, at any time with prior written notice to the Company. Unless terminated earlier in accordance with its terms, the Gilead License Agreement provides that it will expire (i) on a Licensed Product-by-Licensed Product and country-by-country basis on the date of the expiration of the royalty term with respect to such Licensed Product in such country and (ii) in its entirety upon the expiration of all applicable royalty terms with respect to the Licensed Products in all countries, following which the applicable licenses under the Gilead License Agreement will become fully paid-up, perpetual, irrevocable and royalty-free.

Accounting Analysis

Identification of the Contract(s)

The Company assessed the Gilead License Agreement and concluded that it represents a contract with a customer within the scope of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). In addition, the Company determined that the Gilead License Agreement and Stock Purchase Agreement should be evaluated as a combined contract in accordance with ASC 606 given that the agreements were executed contemporaneously, negotiated as a package and have the same commercial objective to provide funding to further the Company's research and development activities.

Identification of Promises and Performance Obligations

The Company determined that the Gilead License Agreement contains the following promises: (i) delivery of a worldwide and exclusive license to develop, manufacture and commercialize JTX-1811 (the "JTX-1811 License"), (ii) provision of certain research transition activities, specifically outlined within the Gilead License Agreement, related to the advancement of JTX-1811 through the clearance of an IND and transition of the JTX-1811 program to Gilead (the "Research and Transition Services"), (iii) appointment of an individual to act as an alliance manager and primary point of contact for Gilead, (iv) appointment of individuals to participate on the Joint Steering Committee ("JSC"), and (v) optional assistance by Jounce after completion of Research and Transition Services upon the request of Gilead.

The Company assessed the above promises and concluded that each of the JTX-1811 License and Research and Transition Services is capable of being distinct and distinct within the context of the Gilead License Agreement. Based upon this evaluation, the Company concluded that its promise to deliver the JTX-1811 License and promise to perform Research and Transition Services represent separate performance obligations in the Gilead License Agreement.

The Company determined that the appointment of an individual to act as an alliance manager and primary point of contact for Gilead, participation in alliance management meetings and the appointment of individuals to participate on the JSC do not constitute the transfer of a good or service to Gilead and as such, do not represent performance obligations under the contract.

Finally, the Company assessed Gilead's ability to request optional assistance by Jounce after completion of Research and Transition Services and determined that it was both quantitatively and qualitatively immaterial in the context of the Gilead License Agreement. Accordingly, the Company did not assess the optional assistance as a performance obligation.

Determination of Transaction Price

As noted above, the Company received a non-refundable upfront payment of $85.0 million upon the closing of the Gilead License Agreement. This upfront payment represents an element of fixed consideration under the Gilead License Agreement.

The Company also evaluated as possible variable consideration the milestones and royalties discussed above. With respect to clinical development and regulatory milestones, based upon the high degree of uncertainty and risk associated with these potential payments, the Company concluded that all such amounts should be fully constrained and are not included in the initial transaction price. As part of the evaluation of the constraint the Company considered certain factors, including that receipt of such milestones is outside the control of the Company and the probability of success criteria is estimated. Each of these variable consideration items was evaluated under the most-likely amount method. As for royalties and sales milestones, the Company determined that the royalties and milestones relate solely to the JTX-1811 License, which is a license of intellectual property ("IP"). Accordingly, the Company did not include any potential royalty or sales milestone amounts in the initial transaction price, and the Company will not recognize revenue related to these royalties and sales milestones until the associated sales occur and relevant thresholds are met. The Company will re-evaluate the transaction price in each reporting period as uncertain events are resolved or as other changes in circumstances occur, and if necessary, will adjust its estimate of the transaction price to include milestones as they become probable of occurrence.

The Company assessed proceeds of $35.0 million received under the Stock Purchase Agreement and determined that the fair value of the equity component was $55.7 million based on the closing price of $10.06 per share in October 2020. Pursuant to the agreement, the Company sold 5,539,727 shares of common stock for aggregate cash consideration of $35.0 million, or $6.32 per share, which is equal to the daily volume weighted average per share intraday price of the Common Stock on Nasdaq over the 30-trading day period ending on and including August 28, 2020 plus a 30% premium. As a result, the Company determined that the gross proceeds of $35.0 million received under the Stock Purchase Agreement included a discount to the fair value of the Company's stock as of October 16, 2020 equal to $20.7 million. In accordance with ASC 606, the discount amount will be included in the transaction price for revenue recognition, resulting in an initial transaction price of $64.3 million.

Allocation of Transaction Price to Performance Obligations

The Company allocated the transaction price to each performance obligation on a relative estimated standalone selling price basis. The Company developed the estimated standalone selling price for the JTX-1811 License based on the present value of expected future cash flows associated with the license and related clinical development and regulatory milestones. In developing such estimate, the Company applied judgement in determining the timing needed to develop the Licensed Product, the probability of success, and the discount rate. The Company developed the estimated standalone selling price for the Research and Transition Services obligation based on the nature of the services to be performed and the Company's best estimate of the length of time required to perform the services necessary to achieve clearance of an IND for the JTX-1811 program.

Based on the above considerations, $60.8 million of the initial transaction price was allocated to the JTX-1811 License performance obligation and $3.5 million was allocated to the Research and Transition Services performance obligation.

Recognition of Revenue

The Company determined that the JTX-1811 License is a functional license as the underlying IP has significant standalone functionality. In addition, the Company determined that the JTX-1811 License represents a right to use certain of the Company's IP as it exists at a point in time. Finally, the Company determined that October 16, 2020 represents (i) the date at which the Company made available the IP to Gilead and (ii) the beginning of the period during which Gilead is able to use and benefit from its right to use the IP. Based upon these considerations, the Company recognized the entirety of the initial transaction price allocated to the JTX-1811 License performance obligation during the year ended December 31, 2020.

Further, the Company determined the input method under ASC 606 is the most appropriate method of revenue recognition for the Research and Transition Services performance obligation. The method of measuring progress towards delivery of the services incorporated actual internal and external costs incurred, relative to total internal and external costs expected to be incurred to satisfy the performance obligation. The period over which total costs were estimated reflected the Company's best estimate of the period over which it would perform the research and transition services to achieve clearance of an IND of the JTX-1811 program and transition the program to Gilead.

During the three months ended June 30, 2021, the Company recognized $25.4 million in collaboration and license revenue under the Gilead License Agreement, $25.0 million of which was recognized related to the achievement of a clinical development and regulatory milestone for FDA clearance of the IND for JTX-1811 and $0.4 million of which related to the performance of research and transition services. No revenue was recognized during the three months ended June 30, 2020.

During the six months ended June 30, 2021, the Company recognized $26.9 million in collaboration and license revenue under the Gilead License Agreement, $25.0 million of which related to the achievement of a clinical development and regulatory milestone for FDA clearance of the IND for JTX-1811 and $1.9 million of which related to the performance of research and transition services. No revenue was recognized during the six months ended June 30, 2020.

As of June 30, 2021 and December 31, 2020, receivables due from Gilead of $25.0 million and less than $0.1 million, respectively, were included in "Accounts receivable — related party". The Company subsequently received payment for the $25.0 million milestone in July 2021.

The following table presents changes in the Company's contract liabilities related to the Gilead License Agreement during the six months ended June 30, 2021 (in thousands):

	January 1, 2021	Additions	Reductions	June 30, 2021
Contract liabilities:				
Deferred revenue — related party	1,931	—	(1,931)	—
Total	$ 1,931	$ —	$ (1,931)	$ —

The reductions to deferred revenue - related party during the six months ended June 30, 2021 were comprised of revenue recognized for research and transition services performed during the period.

4. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is determined based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. As a basis for considering such assumptions, GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used to develop the assumptions and for measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets for identical assets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company measures the fair value of money market funds, U.S. Treasuries and government agency securities based on quoted prices in active markets for identical securities. Investments also include corporate debt securities which are valued either based on recent trades of securities in inactive markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

The carrying amounts reflected in the condensed consolidated balance sheets for cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values, due to their short-term nature.

Assets measured at fair value on a recurring basis as of June 30, 2021 were as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds, included in cash equivalents	$ 140,814	$ 140,814	$ —	$ —
Investments:				
Corporate debt securities	95,165	—	95,165	—
U.S. Treasuries	7,486	7,486	—	—
Government agency securities	2,683	—	2,683	—
Totals	$ 246,148	$ 148,300	$ 97,848	$ —

Assets measured at fair value on a recurring basis as of December 31, 2020 were as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds, included in cash equivalents	$ 147,492	$ 147,492	$ —	$ —
Investments:				
Corporate debt securities	63,691	—	63,691	—
Government agency securities	2,005	—	2,005	—
Totals	$ 213,188	$ 147,492	$ 65,696	$ —

There were no changes in valuation techniques during the six months ended June 30, 2021 or during the year ended December 31, 2020. There were no liabilities measured at fair value on a recurring basis as of June 30, 2021 or December 31, 2020.

5. Investments

Short-term investments consist of investments with maturities greater than ninety days and less than one year from the balance sheet date. Long-term investments consist of investments with maturities of greater than one year that are not expected to be used to fund current operations. The Company classifies all of its investments as available-for-sale securities. Accordingly, these investments are recorded at fair value. Realized gains and losses, amortization and accretion of discounts and premiums are included in other income, net. Unrealized gains and losses on available-for-sale securities are included in other comprehensive income as a component of stockholders’ equity until realized.

Cash equivalents, short-term investments and long-term investments as of June 30, 2021 were comprised as follows (in thousands):

	June 30, 2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents and short-term investments:				
Money market funds, included in cash equivalents	$ 140,814	$ —	$ —	$ 140,814
Corporate debt securities	79,316	6	(3)	79,319
Total cash equivalents and short-term investments	$ 220,130	$ 6	$ (3)	$ 220,133
Long-term investments:				
Corporate debt securities	15,868	—	(22)	15,846
U.S. Treasuries	7,487	—	(1)	7,486
Government agency securities	2,687	—	(4)	2,683
Total long-term investments	26,042	—	(27)	26,015
Total cash equivalents and investments	$ 246,172	$ 6	$ (30)	$ 246,148

Cash equivalents, short-term investments and long-term investments as of December 31, 2020 were comprised as follows (in thousands):

	December 31, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents and short-term investments:				
Money market funds, included in cash equivalents	$ 147,492	$ —	$ —	$ 147,492
Corporate debt securities	56,985	9	(13)	56,981
Government agency securities	2,001	4	—	2,005
Total cash equivalents and short-term investments	206,478	13	(13)	206,478
Long-term investments:				
Corporate debt securities	6,727	—	(17)	6,710
Total long-term investments	6,727	—	(17)	6,710
Total cash equivalents and investments	$ 213,205	$ 13	$ (30)	$ 213,188

As of June 30, 2021 and December 31, 2020, the aggregate fair value of securities that were in an unrealized loss position for less than twelve months was $39.8 million and $28.3 million, respectively. There were no securities that were in an unrealized loss position for more than twelve months as of either June 30, 2021 or December 31, 2020. As of June 30, 2021, the Company did not intend to sell, and would not be more likely than not required to sell, the securities in an unrealized loss position before recovery of their amortized cost bases. Furthermore, the Company determined that there was no material change in the credit risk of these securities. As a result, the Company determined it did not hold any securities with any other-than-temporary impairment as of June 30, 2021.

There were no realized gains or losses on available-for-sale securities during the three or six months ended June 30, 2021. There were immaterial realized gains on available-for-sale securities during the three and six months ended June 30, 2020.

6. Restricted Cash

As of both June 30, 2021 and December 31, 2020, the Company maintained non-current restricted cash of $1.3 million. This amount is included within “Other non-current assets” in the accompanying condensed consolidated balance sheets and is comprised solely of a letter of credit required pursuant to the lease for the Company’s corporate headquarters.

The following table provides a reconciliation of cash, cash equivalents and restricted cash that sums to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Beginning of Period	End of Period	Beginning of Period	End of Period
Cash and cash equivalents	$ 147,493	$ 140,814	$ 53,241	$ 74,463
Restricted cash	1,270	1,270	1,270	1,270
Cash, cash equivalents and restricted cash	$ 148,763	$ 142,084	$ 54,511	$ 75,733

7. Accrued Expenses

Accrued expenses as of June 30, 2021 and December 31, 2020 were comprised as follows (in thousands):

	June 30, 2021	December 31, 2020
External research and development and professional services	$ 4,973	$ 4,855
Employee compensation and benefits	4,453	6,825
Lab consumables and other	427	364
Total accrued expenses	$ 9,853	$ 12,044

8. Common Stock and Preferred Stock

Common Stock

The Company is authorized to issue 160,000,000 shares of common stock. Holders of common stock are entitled to one vote per share. Holders of common stock are entitled to receive dividends, if and when declared by the board of directors.

On December 17, 2019, the Company entered into a Sales Agreement with Cowen and Company, LLC, or Cowen, pursuant to which the Company offered and sold shares of its common stock with an aggregate offering price of up to $50.0 million under an “at the market” offering program (the “ATM Offering”). The Sales Agreement provided that Cowen would be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the ATM Offering. During the first quarter of 2021, the Company sold an aggregate of 3,156,200 shares of common stock at an average price of $9.87 per share under the ATM Offering for net proceeds of $30.2 million, which completed the sale of all available amounts under the ATM Offering.

In addition, during the first quarter of 2021, the Company completed a follow-on public offering of its common stock, selling an aggregate of 5,750,000 shares of common stock at a public offering price of $11.25 per share for net proceeds of $60.6 million, after deducting underwriting discounts and commissions and offering fees.

Preferred Stock

The Company is authorized to issue 5,000,000 shares of undesignated preferred stock in one or more series. As of June 30, 2021, no shares of preferred stock were issued or outstanding.

Shares Reserved for Future Issuance

As of June 30, 2021 and December 31, 2020, the Company had reserved for future issuance the following number of shares of common stock (in thousands):

	June 30, 2021	December 31, 2020
Shares reserved for vesting of restricted stock units	802	588
Shares reserved for exercises of outstanding stock options	7,476	6,586
Shares reserved for future issuance under the 2017 Stock Option and Incentive Plan	1,486	1,284
Total shares reserved for future issuance	9,764	8,458

9. Stock-based Compensation

2013 Stock Option and Grant Plan

In February 2013, the board of directors adopted and the Company's stockholders approved the 2013 Stock Option and Grant Plan (the "2013 Plan"), as amended and restated, under which it could grant incentive stock options ("ISOs"), non-qualified stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs") to eligible employees, officers, directors, and consultants. The 2013 Plan was subsequently amended in January 2015, April 2015, July 2015, March 2016 and October 2016 to allow for the issuance of additional shares of common stock.

2017 Stock Option and Incentive Plan

In January 2017, the board of directors adopted and the Company's stockholders approved the 2017 Stock Option and Incentive Plan (the "2017 Plan"). Upon the adoption of the 2017 Plan, no further awards will be granted under the 2013 Plan.

The 2017 Plan provides for the grant of ISOs, non-qualified stock options, RSAs, RSUs, stock appreciation rights and other stock-based awards. The Company's employees, officers, directors and consultants and advisors are eligible to receive awards under the 2017 Plan. The terms of awards, including vesting requirements, are determined by the board of directors, subject to the provisions of the 2017 Plan.

The Company initially registered on Form S-8 1,753,758 shares of common stock under the 2017 Plan, which was comprised of (i) 1,510,000 shares of common stock reserved for issuance under the 2017 Plan, plus (ii) 243,758 shares of common stock originally reserved for issuance under the 2013 Plan that became available for issuance under the 2017 Plan upon the completion of the Company's IPO. The 2017 Plan also provides that an additional number of shares will automatically be added to the shares authorized for issuance under the 2017 Plan on January 1, 2018 and each January 1st thereafter. The number of shares added each year will be equal to the lesser of (i) 4% of the outstanding shares on the immediately preceding December 31st or (ii) such amount as determined by the compensation committee of the board of directors. Effective January 1, 2020 and 2021, 1,349,526 and 1,669,162 additional shares, respectively, were automatically added to the shares authorized for issuance under the 2017 Plan.

As of June 30, 2021, there were 1,485,743 shares available for future issuance under the 2017 Plan.

Inducement Stock Options

The Company may grant, upon approval by the compensation committee of the board of directors, options to purchase shares of common stock as an inducement to employment in accordance with Nasdaq Listing Rule 5635(c)(4). The securities are issued pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, relating to transactions by an issuer not involving any public offering. These options are subject to substantially the same terms of the 2017 Plan. During the three months ended June 30, 2021, the Company granted an option to purchase 225,000 shares of common stock as an inducement award.

2017 Employee Stock Purchase Plan

In January 2017, the board of directors adopted and the Company's stockholders approved the 2017 Employee Stock Purchase Plan (the "2017 ESPP"). The Company initially reserved 302,000 shares of common stock for future issuance under the 2017 ESPP. The 2017 ESPP also provides that an additional number of shares will automatically be added to the shares authorized for issuance under the 2017 ESPP on January 1, 2018 and each January 1st thereafter through January 1, 2027. The number of shares added each year will be equal to the lesser of (i) 1% of the outstanding shares on the immediately preceding December 31st, (ii) 603,000 shares or (iii) such amount as determined by the compensation committee of the board of directors. Effective January 1, 2020 and 2021, 337,381 and 417,291 additional shares, respectively, were automatically added to the shares authorized for issuance under the 2017 ESPP. No offering periods under the 2017 ESPP had been initiated as of June 30, 2021.

Stock-based Compensation Expense

Total stock-based compensation expense recognized in the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2021 and 2020 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Research and development	$ 1,286	$ 1,196	$ 2,501	$ 2,377
General and administrative	1,649	1,447	3,259	2,884
Total stock-based compensation expense	$ 2,935	$ 2,643	$ 5,760	$ 5,261

RSU Activity

The Company has also granted RSUs to its employees under the 2017 Plan. The following table summarizes RSU activity for the six months ended June 30, 2021 (in thousands, except per share amounts):

	RSUs	**Weighted-Average Grant Date Fair Value per Share**
Unvested as of December 31, 2020	588	$ 5.82
Issued	472	$ 11.90
Vested	(223)	$ 5.64
Cancelled	(35)	$ 8.65
Unvested as of June 30, 2021	802	$ 9.33

No RSUs vested during the three months ended June 30, 2021 or 2020. The aggregate fair value of RSUs that vested during the six months ended June 30, 2021 and 2020, based upon the fair values of the stock underlying the RSUs on the day of vesting, was $1.5 million and $0.8 million, respectively.

As of June 30, 2021, there was unrecognized stock-based compensation expense related to unvested RSUs of $6.0 million, which the Company expects to recognize over a weighted-average period of approximately 2.0 years.

Stock Option Activity

The fair value of stock options granted during the three and six months ended June 30, 2021 and 2020 was calculated on the date of grant using the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Risk-free interest rate	1.1 %	0.4 %	0.8 %	1.3 %
Expected dividend yield	— %	— %	— %	— %
Expected term (in years)	5.9	5.6	6.0	6.0
Expected volatility	82.5 %	75.4 %	81.8 %	72.0 %

Using the Black-Scholes option pricing model, the weighted-average grant date fair value of stock options granted during the three months ended June 30, 2021 and 2020 was $6.21 per share and $4.15 per share, respectively. The weighted-average grant date fair value of stock options granted during the six months ended June 30, 2021 and 2020 was $7.63 per share and $4.22 per share, respectively.

The following table summarizes stock option activity during the six months ended June 30, 2021 (in thousands, except per share amounts):

	Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	6,586	$ 8.30	6.5	$ 13,110
Granted	1,475	$ 11.03		
Exercised	(363)	$ 3.04		
Cancelled	(222)	$ 11.58		
Outstanding at June 30, 2021	7,476	$ 9.00	6.8	$ 10,719
Exercisable at June 30, 2021	4,680	$ 8.75	5.6	$ 9,239

The aggregate intrinsic value of stock options exercised during each of the three months ended June 30, 2021 and 2020 was less than $0.1 million. The aggregate intrinsic value of stock options exercised during each of the six months ended June 30, 2021 and 2020 was $2.9 million and less than $0.1 million, respectively.

As of June 30, 2021, there was unrecognized stock-based compensation expense related to unvested stock options of $15.6 million, which the Company expects to recognize over a weighted-average period of approximately 2.5 years.

10. Related-party Transactions

In August 2020, the Company entered into the Gilead License Agreement and Stock Purchase Agreement under which it received a non-refundable upfront payment of $85.0 million and cash consideration of $35.0 million for Gilead’s purchase of 5,539,727 shares of the Company’s common stock. As of June 30, 2021, the Company had a $25.0 million receivable due from Gilead for the achievement of a clinical development and regulatory milestone under the Gilead License Agreement during the period and payment was subsequently received in July 2021. As of December 31, 2020, the Company had recorded less than $0.1 million of reimbursable expenses due from Gilead within accounts receivable in the accompanying consolidated balance sheets.

11. Net Loss per Share

For purposes of the diluted net loss per share calculation, outstanding stock options and unvested RSUs are considered to be potentially dilutive securities, however the following weighted-average amounts were excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Outstanding stock options	7,332	6,670	7,143	6,504
Unvested RSUs	809	754	745	689
Total	8,141	7,424	7,888	7,193

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2020 that was filed with the United States Securities and Exchange Commission, or the SEC, on February 25, 2021. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, including those factors set forth in the section entitled "Cautionary Note Regarding Forward-Looking Statements and Industry Data" and in the sections entitled "Summary of Risk Factors" and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

We are a clinical-stage immunotherapy company dedicated to transforming the treatment of cancer by developing therapies that enable the immune system to attack tumors and provide long-lasting benefits to patients. Our strategy is to use a biomarker-driven approach from discovery through clinical development. We have developed a suite of integrated technologies that comprise our Translational Science Platform, enabling us to comprehensively interrogate the cellular and molecular composition of tumors. By focusing on specific cell types, both immune and non-immune, within tumors, we can prioritize targets and then identify related biomarkers designed to match the right therapy to the right patient. Our pipeline is focused on product candidates to address PD-(L)1-inhibitor resistant and PD-(L)1 inhibitor sensitive tumors, which represent significant opportunities requiring different biological approaches. We aim to develop product candidates that address the unmet medical need of patients in both of these populations.

Our highest priority program, JTX-8064, is being developed for patients with either PD-(L)1-inhibitor resistant or PD-(L)1 inhibitor sensitive tumors. JTX-8064 is the first tumor-associated macrophage candidate to emerge from our Translational Science Platform. JTX-8064 is an antibody that binds to Leukocyte Immunoglobulin Like Receptor B2, or LILRB2 (also known as ILT4), which is a cell surface receptor expressed on macrophages. In January 2021, we began enrollment in the INNATE trial, our Phase 1 dose-escalation clinical trial of JTX-8064 as a monotherapy and in combination with our PD-1 inhibitor, pimivalimab, formerly JTX-4014, in patients with advanced solid tumors. Enrollment in the monotherapy dose escalation portion of INNATE is complete; JTX-8064 has been well-tolerated to date with no dose limiting toxicities and we selected 700 mg as our target dose for further evaluation. The eight indication-specific expansion cohorts are designed to demonstrate proof-of-concept.

The indication-specific expansion cohorts will study tumor types in three groups of patients: (i) PD-(L)1 inhibitor experienced patients whose tumors are resistant to PD-(L)1 inhibitors, (ii) PD-(L)1 inhibitor naïve patients whose tumors are historically resistant to PD-(L)1 inhibitors, and (iii) PD-(L)1 inhibitor naïve patients whose tumors are historically more sensitive to PD-(L)1 inhibitors. In PD-(L)1 inhibitor experienced patients, whose tumors are resistant to PD-(L)1 therapy, we plan to evaluate JTX-8064 and pimivalimab in triple negative breast cancer, non-small cell lung cancer, or NSCLC, cutaneous squamous cell carcinoma, and clear cell renal cell carcinoma. In PD-(L)1 inhibitor naïve patients with tumors that have been historically resistant or minimally responsive and for whom there is no approved PD-(L)1 therapy, we plan to evaluate JTX-8064 in ovarian cancer both as a monotherapy and in combination with pimivalimab, and evaluate the combination with pimivalimab in undifferentiated pleomorphic sarcoma and liposarcoma. Additionally, to assess JTX-8064 in PD-(L)1 inhibitor naïve patients with PD-(L)1 inhibitor sensitive tumors, we plan to evaluate JTX-8064 in combination with pimivalimab in front line PD-L1 positive head and neck cancer.

Vopratelimab is a clinical-stage monoclonal antibody that binds to and activates the **I**nducible T cell **CO**-**S**timulator, or ICOS, a protein on the surface of certain T cells commonly found in many solid tumors. We are currently enrolling patients in the SELECT trial, which is evaluating vopratelimab in combination with pimivalimab compared to pimivalimab alone in biomarker-selected, immunotherapy-naive second-line NSCLC patients. We identify patients for SELECT using TIS^{vopra}, an 18 gene signature that includes genes relevant to both CD8 and CD4 T cell biology. TIS^{vopra} has been optimized to predict for emergence of ICOS hi CD4 T cells in the peripheral blood, which have been associated with clinical benefit in patients treated with vopratelimab alone or in combination with nivolumab. SELECT is a randomized Phase 2 clinical trial outside the United States, and we expect to report clinical data from SELECT in 2022.

Pimivalimab is a clinical-stage anti-PD-1 antibody that we are developing primarily for potential use in combination with our product candidates, as we believe that combination therapy has the potential to be a mainstay of cancer immunotherapy. We presented safety and preliminary efficacy data from our monotherapy Phase 1 clinical trial of pimivalimab in 2019. Based on the results of that clinical trial, we are using pimivalimab in combination with vopratelimab in SELECT, and we will use pimivalimab in combination with JTX-8064 in INNATE.

JTX-1811 is the most recent product candidate to emerge from our Translational Science Platform, and in August 2020, we entered into an agreement to exclusively license JTX-1811 to Gilead Sciences, Inc., or Gilead. JTX-1811, which will be referred to as GS-1811 in Gilead's pipeline. JTX-1811 is a monoclonal antibody that is designed to selectively deplete T regulatory cells in the tumor microenvironment, or TME, by targeting a receptor called CCR8, which is preferentially expressed on intra-tumoral T regulatory cells. Pursuant to our exclusive license agreement with Gilead, or the Gilead License Agreement, we granted Gilead a worldwide license to develop, manufacture and commercialize JTX-1811 and certain derivatives thereof, as well as backup antibodies defined within the agreement. Under the terms of the Gilead License Agreement, we have advanced JTX-1811 through the clearance of an investigational new drug application, or IND, and are transitioning the program to Gilead, which triggered a $25.0 million milestone. We are entitled to receive additional payments from Gilead upon the achievement of specified clinical, regulatory and sales milestones, including potential clinical development and regulatory milestone payments. We are also eligible to receive tiered royalty payments based on a percentage of annual worldwide net sales ranging from the high-single digits to mid-teens, based on future annual net sales of licensed products, on a licensed product-by-licensed product and country-by-country basis.

With our biomarker-driven approach, we leverage our Translational Science Platform to interrogate cell types within the human TME and to identify and prioritize targets across a broad spectrum of immune and non-immune cell types. In addition, early in the development process, we use our Translational Science Platform to identify potential predictive biomarkers to enable us to enrich our clinical trials for patient populations that may be more likely to respond to a particular immunotherapy. Once clinical data is available for a product candidate, we then use a reverse translational approach to interrogate tumor and blood samples from patients with known outcomes. By using these reverse translational findings, we believe we are better able to design clinical trials and more efficiently develop cancer immunotherapies that potentially provide greater benefit to patients. We believe that the biomarker results, coordinated to clinical response, will assist with determining the utility of proceeding to the use of a companion diagnostic and/or complementary diagnostic for a given therapy.

Beyond our product candidates, we continue to advance and build our discovery pipeline. We are discovering and developing next-generation immunotherapies by leveraging our Translational Science Platform to systematically and comprehensively interrogate cell types within the TME. Our broad discovery pipeline includes multiple programs targeting myeloid cells such as macrophages, T regulatory cells and non-immune cells. We believe that the use of our Translational Science Platform to efficiently identify novel immuno-oncology targets and advance them from discovery to IND stage is a sustainable approach that we plan to continually apply across our broad discovery pipeline and target selection process. We continue to believe that the LILRB family represents attractive immuno-oncology targets with the potential to improve upon or restore responsiveness to PD-(L)1 inhibitors. Given this, we are rapidly advancing two additional LILRB family programs through discovery, one targeting LILRB1 and the other targeting LILRB4. With our goal of submitting a new IND every 12 to 18 months, we expect at least one of our next development candidates to target the LILRB family of receptors.

Since inception, our operations have focused on organizing and staffing our company, business planning, raising capital, developing our Translational Science Platform and conducting research, preclinical studies and clinical trials. We do not have any products approved for sale. We are subject to a number of risks comparable to those of other similar companies, including dependence on key individuals; the need to develop commercially viable products; competition from other companies, many of which are larger and better capitalized; and the need to obtain adequate additional financing to fund the development of our products. We have funded our operations primarily through proceeds received from public offerings and private placements of our stock totaling $389.5 million and up-front payments from collaboration and license agreements totaling $360.0 million. These amounts exclude a $25.0 million milestone achieved during the period ended June 30, 2021 under the Gilead License Agreement upon clearance from the U.S. Food and Drug Administration of an IND for JTX-1811. We subsequently received payment for this milestone from Gilead in July 2021.

Due to our significant research and development expenditures, we have accumulated substantial losses since our inception. As of June 30, 2021, we had an accumulated deficit of $181.5 million. We expect to incur substantial additional losses in the future as we continue to advance our programs.

The spread of COVID-19 during 2020 and 2021 has caused an economic downturn on a global scale. As of August 5, 2021, we have not experienced a significant financial impact directly related to the COVID-19 pandemic but have experienced some disruptions to clinical operations and to our supply chain. As the pandemic continues to unfold, the extent of its effect on our operational and financial performance will depend in large part on future developments, which cannot be predicted with confidence at this time.

Financial Operations Overview

Revenue

For the six months ended June 30, 2021, we recognized $26.9 million of license and collaboration revenue under the Gilead License Agreement for achievement of a clinical development and regulatory milestone relating to the JTX-1811 program and the performance of research and transition services. For the six months ended June 30, 2020, we did not recognize any license or collaboration revenue.

In the future, we may generate revenue from product sales, collaboration agreements, strategic alliances and licensing arrangements, including potential milestone payments and royalties under the Gilead License Agreement. We expect that our revenue will fluctuate from quarter-to-quarter and year-to-year as a result of the timing and amount of license fees, milestones, reimbursement of costs incurred and other payments, if any, and product sales, to the extent any products are successfully commercialized. If we or third parties fail to complete the development of our product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenue, and our results of operations and financial position, could be materially adversely affected.

Operating Expenses

Research and Development Expenses

Research and development expenses represent costs incurred by us for the discovery, development and manufacture of our current and future product candidates and include: external research and development expenses incurred under arrangements with third parties, including academic and non-profit institutions, contract research organizations, contract manufacturing organizations and consultants; salaries and personnel-related costs, including non-cash stock-based compensation expense; license fees to acquire in-process technology and other expenses, which include direct and allocated expenses for laboratory, facilities and other costs.

We use our employee and infrastructure resources across multiple research and development programs directed toward developing our Translational Science Platform and for identifying, testing and developing product candidates. We manage certain activities such as contract research and manufacture of our product candidates and discovery programs through our third-party vendors.

At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including the uncertainty of:

- addition and retention of key research and development personnel;
- establishing an appropriate safety profile with IND-enabling toxicology studies and clinical trials;
- the cost to acquire or make therapies to study in combination with our immunotherapies;
- successful enrollment in and completion of clinical trials, including the impacts of the COVID-19 pandemic on the timing and progress of our ongoing and planned clinical trials;
- establishing agreements with third-party contract manufacturing organizations for clinical supply for our clinical trials and commercial manufacturing, if our product candidates are approved;
- receipt of marketing approvals from applicable regulatory authorities;
- commercializing products, if and when approved, whether alone or in collaboration with others;
- the cost to develop companion diagnostics and/or complementary diagnostics as needed for each of our development programs;
- the costs associated with the development of any additional product candidates we acquire through third-party collaborations or identify through our Translational Science Platform;
- the terms and timing of any collaboration, license or other arrangement, including the terms and timing of any milestone payments thereunder;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our products, if and when approved; and
- continued acceptable safety profiles of the products following approval.

A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate. We plan to increase our research and development expenses for the foreseeable future as we advance our product candidates through preclinical development and clinical trials and continue the enhancement of our Translational Science Platform and the progression of our pipeline.

Due to the inherently unpredictable nature of preclinical and clinical development, we do not allocate all of our internal research and development expenses on a program-by-program basis as they primarily relate to personnel and lab consumables costs that are deployed across multiple programs under development. Our research and development expenses also include external costs, which we do track on a program-by-program basis following the program's nomination as a development candidate. We began incurring such external costs for vopratelimab in 2015, pimivalimab in 2016, JTX-8064 in 2017 and JTX-1811 in 2019.

Our external research and development and external clinical and regulatory costs for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2021	2020	2021	2020
JTX-8064	$ 4,615	$ 33	$ 7,193	$ 33
Vopratelimab / Pimivalimab combination	3,229	3,911	5,963	5,723
Vopratelimab	1,631	4,052	3,056	8,979
Pimivalimab	821	709	1,262	1,213
JTX-1811	634	1,481	2,476	2,220
Pre-development candidates	373	310	654	657
Total external research and development and clinical and regulatory costs	$ 11,303	$ 10,496	$ 20,604	$ 18,825

Research and development activities account for a significant portion of our operating expenses. As we continue to implement our business strategy, we expect our research and development expenses to increase over the next several years. We expect that these expenses will increase as we:

- continue our clinical development of JTX-8064, including our Phase 1 INNATE clinical trial as a monotherapy and in combination with pimivalimab;
- continue our clinical development of vopratelimab, including our Phase 2 SELECT clinical trial of vopratelimab and pimivalimab;
- continue to identify and develop potential predictive biomarkers and companion diagnostics and/or complementary diagnostics for our product candidates; and
- continue to develop and enhance our Translational Science Platform and advance our pipeline of immunotherapy programs and our early research activities into IND-enabling activities.

Product candidates in later stages of clinical development generally incur higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials.

General and Administrative Expenses

General and administrative expenses consist of salaries and personnel-related costs, including non-cash stock-based compensation expense, for our personnel in executive, business development, legal, finance and accounting, human resources and other administrative functions, consulting fees, facility costs not otherwise included in research and development expenses, fees paid for accounting and tax services, insurance expenses and legal costs. Legal costs include general corporate legal fees, patent legal fees and related costs. We anticipate that our general and administrative expenses will increase in the future to support our continued operations.

Other Income, Net

Other income, net, consists primarily of interest and investment income on our cash, cash equivalents and investments. Other income, net also includes gains and losses arising from foreign currency remeasurement.

Results of Operations

Comparison of the Three Months Ended June 30, 2021 and 2020

The following table summarizes our results of operations for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
(in thousands)	**2021**	**2020**	**$ Change**
Revenue:			
License and collaboration revenue — related party	$ 25,368	$ —	$ 25,368
Operating expenses:			
Research and development	22,100	21,023	1,077
General and administrative	7,317	7,226	91
Total operating expenses	29,417	28,249	1,168
Operating loss	(4,049)	(28,249)	24,200
Other income, net	40	285	(245)
Loss before provision for income taxes	(4,009)	(27,964)	23,955
Provision for income taxes	2	4	(2)
Net loss	$ (4,011)	$ (27,968)	$ 23,957

License and Collaboration Revenue

For the three months ended June 30, 2021 we recognized $25.4 million of license and collaboration revenue under the Gilead License Agreement for achievement of a clinical development and regulatory milestone and for research and transition services, which were recognized over time as the services related to this performance obligation were rendered. No license or collaboration revenue was recognized for the three months ended June 30, 2020.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
(in thousands)	**2021**	**2020**	**$ Change**
Employee compensation	$ 7,454	$ 7,119	$ 335
External clinical and regulatory	6,457	7,740	(1,283)
External research and development	4,846	2,756	2,090
Lab consumables	1,498	1,435	63
Facility costs	1,312	1,383	(71)
Other research	533	590	(57)
Total research and development expenses	$ 22,100	$ 21,023	$ 1,077

Research and development expenses increased by $1.1 million from $21.0 million for the three months ended June 30, 2020 to $22.1 million for the three months ended June 30, 2021. The increase in research and development expenses was primarily attributable to the following:

- $2.1 million of increased external research and development costs associated with manufacturing activities for our development programs; and
- $0.3 million of increased employee compensation costs.

These increases were partially offset by $1.3 million of decreased external clinical and regulatory costs, primarily attributable to reduced spend on vopratelimab during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020; partially offset by spend on JTX-8064 during the three months ended June 30, 2021.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
(in thousands)	2021	2020	$ Change
Employee compensation	$ 3,863	$ 3,867	$ (4)
Professional services	1,204	1,239	(35)
Facility costs	995	1,069	(74)
Other	1,255	1,051	204
Total general and administrative expenses	$ 7,317	$ 7,226	$ 91

General and administrative expenses increased by $0.1 million from $7.2 million for the three months ended June 30, 2020 to $7.3 million for the three months ended June 30, 2021. The increase in general and administrative expenses was primarily attributable to increased insurance costs.

Other Income, net

Other income, net, decreased by $0.2 million from $0.3 million for the three months ended June 30, 2020 to less than $0.1 million for the three months ended June 30, 2021. The decrease in other income, net is attributable to decreased rates of return on our investments.

Comparison of the Six Months Ended June 30, 2021 and 2020

The following table summarizes our results of operations for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
(in thousands)	2021	2020	$ Change
Revenue:			
License and collaboration revenue — related party	$ 26,907	$ —	$ 26,907
Operating expenses:			
Research and development	42,607	40,669	1,938
General and administrative	14,932	14,765	167
Total operating expenses	57,539	55,434	2,105
Operating loss	(30,632)	(55,434)	24,802
Other income, net	89	1,035	(946)
Loss before provision for income taxes	(30,543)	(54,399)	23,856
Provision for income taxes	3	12	(9)
Net loss	$ (30,546)	$ (54,411)	$ 23,865

License and Collaboration Revenue

For the six months ended June 30, 2021 we recognized $26.9 million of license and collaboration revenue under the Gilead License Agreement for achievement of a clinical development and regulatory milestone and for research and transition services, which were recognized over time as the services related to this performance obligation were rendered. No license or collaboration revenue was recognized for the six months ended June 30, 2020.

Research and Development Expenses

The following table summarizes our research and development expenses for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
(in thousands)	2021	2020	$ Change
Employee compensation	$ 15,287	$ 14,830	$ 457
External clinical and regulatory	12,178	14,601	(2,423)
External research and development	8,426	4,224	4,202
Lab consumables	3,019	2,983	36
Facility costs	2,689	2,801	(112)
Other research	1,008	1,230	(222)
Total research and development expenses	$ 42,607	$ 40,669	$ 1,938

Research and development expenses increased by $1.9 million from $40.7 million for the six months ended June 30, 2020 to $42.6 million for the six months ended June 30, 2021. The increase in research and development expenses was primarily attributable to the following:

- $4.2 million of increased external research and development costs associated with manufacturing for our development programs; and
- $0.5 million of increased employee compensation costs primarily attributable to payroll increases and stock based compensation.

These increases were partially offset by $2.4 million of decreased external clinical and regulatory costs, primarily attributable to reduced spend on vopratelimab during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020; partially offset by spend on JTX-8064 during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
(in thousands)	2021	2020	$ Change
Employee compensation	$ 8,109	$ 7,863	$ 246
Professional services	2,415	2,435	(20)
Facility costs	2,077	2,196	(119)
Other	2,331	2,271	60
Total general and administrative expenses	$ 14,932	$ 14,765	$ 167

General and administrative expenses increased by $0.2 million from $14.8 million for the six months ended June 30, 2020 to $14.9 million for the six months ended June 30, 2021. The increase in general and administrative expenses was primarily due to increased stock-based compensation expense.

Other Income, net

Other income, net, decreased by $0.9 million from $1.0 million for the six months ended June 30, 2020 to $0.1 million for the six months ended June 30, 2021. The decrease in other income, net is attributable to decreased rates of return on our investments.

Liquidity and Capital Resources

Sources of Liquidity

We have funded our operations primarily through proceeds received from public offerings of our common stock and private placements of our common stock or convertible preferred stock totaling $389.5 million and up-front payments from collaboration and license agreements totaling $360.0 million. As of June 30, 2021, we had cash, cash equivalents and investments of $246.1 million. This does not include the $25.0 million milestone payment received in July 2021 under the Gilead License Agreement.

On December 17, 2019, we entered into a Sales Agreement with Cowen and Company, LLC, or Cowen, pursuant to which we offered and sold shares of our common stock with an aggregate offering price of up to $50.0 million under the ATM Offering. The Sales Agreement provided that Cowen will be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the ATM Offering. During the first quarter of 2021, we sold an aggregate of 3,156,200 shares of common stock at an average price of $9.87 per share under the ATM Offering for net proceeds of $30.2 million, which completed the sale of all available amounts under the ATM.

In addition, during the first quarter of 2021, we completed a follow-on public offering, selling an aggregate of 5,750,000 shares of common stock at a public offering price of $11.25 per share for net proceeds of $60.6 million.

Funding Requirements

Our plan of operation is to continue implementing our business strategy, the research and development of our current product candidates, our preclinical development activities, the expansion of our research pipeline and the enhancement of our internal research and development capabilities. Due to the inherently unpredictable nature of preclinical and clinical development and given the early stage of our programs and product candidates, we cannot reasonably estimate the costs we will incur and the timelines that will be required to complete development, obtain marketing approval, and commercialize our products, if and when approved. For the same reasons, we are also unable to predict when, if ever, we will generate revenue from product sales or whether, or when, if ever, we may achieve profitability. Clinical and preclinical development timelines, the probability of success, and development costs can differ materially from expectations. In addition, we cannot forecast which products, if and when approved, may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

Due to our significant research and development expenditures, we have accumulated substantial losses since inception. We have incurred an accumulated deficit of $181.5 million through June 30, 2021. We expect to incur substantial additional losses in the future as we continue to advance our programs. Based on our research and development plans, we expect that our existing cash, cash equivalents and investments of $246.1 million as of June 30, 2021, and receipt of the $25.0 million milestone payment from Gilead in July, will enable us to fund our operating expenses and capital expenditure requirements through the third quarter of 2023. However, we have based this estimate on assumptions that may prove to be incorrect, and we could exhaust our capital resources sooner than we expect. The timing and amount of our operating expenditures will depend largely on:

- the timing and progress of preclinical and clinical development activities, including the impacts of the COVID-19 pandemic on the timing and progress of our ongoing and planned clinical trials;
- the cost to access, acquire or develop therapies to study in combination with our immunotherapies;
- successful enrollment in and completion of clinical trials;
- the cost to develop companion diagnostics and/or complementary diagnostics as needed for each of our development programs;
- our ability to establish agreements with third-party manufacturers for clinical supply for our clinical trials and, if any of our product candidates are approved, commercial manufacturing;
- the costs associated with the development of any additional product candidates we acquire through acquisition or third-party collaborations or identify through our Translational Science Platform;
- our ability to maintain our current research and development programs and enhancement of our Translational Science Platform;
- addition and retention of key research and development personnel;
- our efforts to enhance operational, financial and information management systems, and hire additional personnel, including personnel to support development of our product candidates;

- the legal patent costs involved in prosecuting patent applications and enforcing patent claims and other intellectual property claims;
- the costs and ongoing investments to in-license or acquire additional technologies, including the in-license of intellectual property related to our potential product candidates; and
- the terms and timing of any other collaboration, license or other arrangement, including the terms and timing of any option and milestone payments thereunder.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Furthermore, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

In addition to the variables described above, if and when any of our product candidates successfully complete development, we expect to incur substantial additional costs associated with regulatory filings, marketing approval, post-marketing requirements, maintaining our intellectual property rights, and regulatory protection, in addition to other costs. We cannot reasonably estimate these costs at this time.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings, licensing arrangements, including the Gilead License Agreement, collaborations and strategic alliances. We currently do not have a credit facility or committed sources of capital. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interests of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through the issuance of debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available on reasonable terms, or at all. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce, or terminate development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Cash Flows

The following table provides information regarding our cash flows for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
(in thousands)	**2021**	**2020**
Net cash (used in) provided by:		
Operating activities	$ (58,464)	$ (44,976)
Investing activities	(40,141)	64,585
Financing activities	91,926	1,613
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (6,679)	$ 21,222

Cash Used in Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 was $58.5 million, compared to net cash used in operating activities of $45.0 million for the six months ended June 30, 2020. Cash used in operating activities increased by $13.5 million primarily due to increased operating expenses, prepaid deposits and payments of accrued expenses on scheduled manufacturing for our development programs.

Cash (Used in) Provided by Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 was $40.1 million, compared to net cash provided by investing activities of $64.6 million for the six months ended June 30, 2020. Cash used in investing activities increased by $104.7 million due to increased purchases of investments and timing of maturities for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2021 was $91.9 million, compared to net cash provided by financing activities of $1.6 million for the six months ended June 30, 2020. Cash provided by financing activities increased by $90.3 million primarily due to proceeds received from our follow-on public offering and ATM Offering completed during the first quarter of 2021.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates which include, but are not limited to, accrued expenses, stock-based compensation expense and income taxes. We base our estimates on historical experience and other market specific or other relevant assumptions we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

There were no material changes to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the SEC on February 25, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, or the Exchange Act, and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which could materially affect our business, financial condition or future results.

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

Recent Sales of Unregistered Securities

On March 25, 2021, our compensation committee approved the grant, effective as of May 1, 2021, of an inducement award to a new employee consisting of a non-statutory stock option to purchase 225,000 shares of our common stock at an exercise price of $9.43 per share, which was the closing price of our common stock on the Nasdaq Global Select Market on April 30, 2021, the trading day immediately prior to the grant date. This award was granted as an inducement material to the employee’s entry into employment with us and was issued outside of our existing equity compensation plans in accordance with Nasdaq Stock Market Listing Rule 5635(c)(4). No underwriters were involved in the foregoing issuance of securities. The securities are issued pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, related to transactions by an issuer not involving any public offering. The stock option has a 10-year term and vests over four years, with 25% of the award vesting on the first anniversary of the employee’s employment, and as to an additional one-twelfth of the shares quarterly thereafter, subject to the employee’s continued employment through applicable vesting dates and subject to the terms and conditions of the stock option agreement covering the grant.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
10.1*	Form of Non-Qualified Stock Option Agreement Inducement Grant for Employees
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

*	Filed herewith
+	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JOUNCE THERAPEUTICS, INC.

Date: August 5, 2021	By:	/s/ Kim C. Drapkin
		Kim C. Drapkin
		Treasurer and Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 10.1

NON-QUALIFIED STOCK OPTION AGREEMENT
INDUCEMENT GRANT
FOR COMPANY EMPLOYEES
FOR JOUNCE THERAPEUTICS, INC.

Name of Optionee: __

No. of Option Shares: __

Option Exercise Price per Share: $__

Vesting Commencement Date: __

Grant Date: __

Expiration Date: __

Jounce Therapeutics, Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option" or the "Award") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $0.001 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and as an inducement material to employment pursuant to Nasdaq Marketplace Rule 5635(c)(4). This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become vested and exercisable. Except as set forth below, and subject to the discretion of the Compensation Committee of the Board of Directors of the Company (the "Administrator") to accelerate the exercisability schedule hereunder, this Stock Option shall be vested and exercisable with respect to twenty-five percent (25%) of the Option Shares on the first anniversary of the Vesting Commencement Date and thereafter as to an additional six and one quarter percent (6.25%) of the Option Shares at the end of each successive three-month period (quarterly anniversary) following and measured from the first anniversary of the Vesting Commencement Date until fully vested, such that 100% of the Option Shares shall be vested and exercisable on the fourth anniversary of the Vesting Commencement Date, so long as the Optionee remains an employee of the Company or any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly on the applicable vest date (a "Subsidiary").

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof.

Notwithstanding anything contained in this Agreement to the contrary, in the event (and only in the event) that this Stock Option or the Option Shares are assumed or continued by the Company or its successor entity in a Sale Event (as defined below) in the sole discretion of the parties to a Sale Event and thereafter remains in effect following such Sale Event, then 100% of the then-unvested Option Shares shall be deemed vested in full and exercisable upon the date on which the Optionee's employment with the Company, a Subsidiary or successor entity terminates if (A) such termination occurs in connection with and effective as of the date of, or within 12 months following the date of, such Sale Event and (B) such termination is either by the Company without Cause (as defined below) or by the Optionee for Good Reason (as defined below).

A "Sale Event" means (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

Unless otherwise provided in an employment agreement between the Company and the Optionee, "Good Reason" shall mean (i) a material diminution in the Optionee's base salary except for across-the-board salary reductions similarly affecting all or substantially all similarly situated employees of the Company or (ii) a change of more than 50 miles in the geographic location at which the Optionee provides services to the Company, so long as the Optionee provides at least ninety (90) days notice to the Company following the initial occurrence of any such event and the Company fails to cure such event within thirty (30) days thereafter.

2. <u>Manner of Exercise</u>.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written electronic notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

Payment instruments will be received subject to collection. The transfer to the Optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of the Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained herein or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the Optionee). In the event an Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of the Stock Option may be permitted through the use of such an automated system.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company’s receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of the Stock Option and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee’s name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of **12** months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination of employment, may thereafter be exercised by the Optionee for a period of **12** months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's employment terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in an employment agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.

(d) Other Termination. If the Optionee's employment terminates for any reason other than the Optionee's death, the Optionee's disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Optionee. The Company shall have the authority to cause the minimum required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value (as defined below) that would satisfy the minimum withholding amount due. The Company's obligation to deliver evidence of book entry (or stock certificates) to the Optionee is subject to and conditioned on tax withholding obligations being satisfied by the Optionee.

"Fair Market Value" of the Stock on any given date means the fair market value of the Stock as of the closing market value; provided, however, that if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("Nasdaq"), NASDAQ Global Market or another national securities exchange, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

5. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of this Agreement to continue the Optionee in employment and this Agreement shall not interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time.

6. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

7. Data Privacy Consent. In order to administer this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall

have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

8. Administrator Authority.

(a) Powers of Administrator. The Administrator shall have the power and authority to administer this Stock Option, including the power and authority:

(i) to determine and modify from time to time the terms and conditions, including restrictions, of this Stock Option;

(ii) to accelerate at any time the exercisability or vesting of all or any portion of this Stock Option;

(iii) s to extend at any time the period in which Stock Options may be exercised, provided that no such extension shall be to a date following the Expiration Date; and

(iv) to interpret the terms and provisions of the Stock Option (including related written instruments) and to adopt, alter, and repeal such rules, guidelines and practices related to the Stock Option as it shall deem advisable, to make all determinations it deems advisable for the administration of the Stock Option, to decide all disputes with respect to the Stock Option and to otherwise supervise the administration of the Stock Option.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Optionee.

(b) Indemnification. Neither the Board of Directors of the Company (the “Board”) nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Stock Option, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys’ fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company’s articles or bylaws or any directors’ and officers’ liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

9. Changes in Stock; Mergers.

(a) Changes in Stock. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company’s capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the number and kind of shares or other securities subject to this Stock Option and (ii) the exercise price for each share subject to this Stock Options, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number shares of Stock subject to the Stock Option) as to which such Stock Options remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to this Award and the exercise price and the terms of this Award to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the terms of this Award resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(b) Mergers and Other Transactions. In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of this Stock Option by the successor entity, or the substitution of this Stock Option with a new stock option of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of this Stock Option, upon the effective time of the Sale Event, this Stock Option shall terminate. In such case, this Stock Option shall become fully vested and nonforfeitable as of the effective time of the Sale Event. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the Optionee, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price (as defined below) multiplied by the number of shares of Stock subject to the Stock Option (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Option; or (ii) the Optionee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options (to the extent then exercisable) held by such Optionee. "Sale Price" means the value, as determined by the Administrator, of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to the Sale Event.

10. Transferability of Stock Option.

(a) Transferability. Except as provided in Section 10(b) below, during a the Optionee's lifetime, this Stock Option shall be exercisable only by the Optionee, or by the Optionee's legal representative or guardian in the event of the Optionee's incapacity. This Stock Option shall not be sold, assigned, transferred or otherwise encumbered or disposed of by an Optionee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. This Stock Option shall not be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 10(a), the Administrator, in its discretion, may provide by written approval that the Optionee (who is an employee) may transfer this Stock Option to the Optionee’s immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Stock Option Agreement. In no event may this Stock Option be transferred by the Optionee for value.

(c) Family Member. For purposes of Section 10(b), “family member” shall mean the Optionee’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Optionee’s household (other than a tenant of the Optionee), a trust in which these persons (or the Optionee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the Optionee) control the management of assets, and any other entity in which these persons (or the Optionee own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company, the Optionee may designate a beneficiary or beneficiaries to exercise the Stock Option or receive any Stock issuable upon the exercise of the Stock Option on or after the Optionee’s death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If the Optionee is deceased and no beneficiary has been designated by the Optionee, or if the designated beneficiaries have predeceased the Optionee, the beneficiary shall be the Optionee’s estate.

11. Section 409A Awards. To the extent that this Stock Optionis determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A (a “409A Award”), the Stock Option shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a “separation from service” (within the meaning of Section 409A) and the Optionee is then considered a “specified employee” (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the Optionee’s separation from service, or (ii) the Optionee’s death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any such 409A Award may not be accelerated except to the extent permitted by Section 409A.

12. Termination of Employment, Transfer, Leave of Absence, Etc.

(a) For purposes hereof, the following events shall not be deemed a termination of employment:

(i) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Optionee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

13. Amendments and Termination. The Administrator may, at any time, amend or cancel the Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under this Stock Option if still outstanding at such time without the Optionee's consent. Nothing in this Section 13 shall limit the Administrator's authority to take any action permitted pursuant to Section 9(a) or 9(b).

14. General Provisions.

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Delivery of Stock Certificates. Stock certificates to the Optionee shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the Optionee, at the Optionee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the Optionee by electronic mail (with proof of receipt) or by United States mail, addressed to the Optionee, at the Optionee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of this Stock Option, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. All Stock certificates delivered pursuant to this Stock Option shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the exercise of this Stock Option, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 17(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with this Stock Option, notwithstanding the exercise of the Stock Option or any other action by the Optionee with respect to the Stock Option.

(d) Status of Stock Option. With respect to any portion of this Stock Option that has not been exercised, and any payments in cash, Stock or other consideration not received by the Optionee, the Optionee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine.

(e) Other Compensation Arrangements; No Employment Rights. Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The grant of this Stock Option does not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(f) Trading Policy Restrictions. This Stock Option shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(g) Clawback Policy. The Stock Option shall be subject to the Company's clawback policy, as in effect from time to time.

15. Governing Law. This Stock Option and actions taken hereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware applied without regard to conflict of law principles.

16. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

JOUNCE THERAPEUTICS, INC.

By: ____________
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: __ __

Optionee's Signature

Optionee's name and address:

Exhibit 31.1

CERTIFICATIONS

I, Richard Murray, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021	By:	/s/ Richard Murray
		Richard Murray, Ph.D. President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Kim C. Drapkin, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021	By:	/s/ Kim C. Drapkin
		Kim C. Drapkin Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of Jounce Therapeutics, Inc. (the “Company”) for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her or his knowledge:

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

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

Date: August 5, 2021	By:	/s/ Richard Murray
		Richard Murray, Ph.D. President and Chief Executive Officer (Principal Executive Officer)
Date: August 5, 2021	By:	/s/ Kim C. Drapkin
		Kim C. Drapkin Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)