



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

JOHN SOLAK, derivatively on behalf of
DENALI THERAPEUTICS, INC.,

Plaintiff,

v.

VICKI L. SATO, Ph.D., RYAN J.
WATTS, Ph.D., DOUGLAS G. COLE,
M.D., JENNIFER COOK, JAY FLATLEY,
PETER KLEIN, ROBERT T. NELSEN,
DAVID P. SCHENKEIN, M.D. and
MARC TESSIER-LAVIGNE, Ph.D.,

Defendants,

and

DENALI THERAPEUTICS, INC., a
Delaware corporation,

Nominal Defendant.

C.A. No. 2020-0775-JTL

STIPULATION OF COMPROMISE AND SETTLEMENT

This Stipulation of Compromise and Settlement (the “Stipulation”), dated January 13, 2021, is entered into by and among the following parties, by and through their undersigned attorneys: Plaintiff John Solak (“Plaintiff”), individually and derivatively on behalf of Denali Therapeutics Inc. (“Denali” or the “Company”); defendants Vicki L. Sato, Ph.D., Ryan J. Watts, Ph.D., Douglas G. Cole, M.D., Jennifer Cook, Jay Flatley, Peter Klein, Robert T. Nelsen, David P. Schenkein, M.D., and Marc Tessier-Lavigne, Ph.D. (collectively, the “Individual Defendants”); and

nominal defendant Denali (with the Individual Defendants, “Defendants”). Plaintiff and Defendants are collectively referred to herein as the “Settling Parties” and each individually as a “Settling Party.”

This Stipulation is intended by the Settling Parties to fully, finally, and forever compromise, resolve, discharge, and settle all claims in the Released Claims against the Released Persons and dismiss the Derivative Action with prejudice, upon the terms set forth below and subject to the approval of the Court pursuant to Court of Chancery Rule 23.1.¹

I. BACKGROUND

WHEREAS, Denali is a biotechnology company incorporated in Delaware and headquartered in South San Francisco, California engaged in developing and discovering therapeutics to treat neurodegenerative diseases;

WHEREAS, the Individual Defendants are comprised of current members of the Board of Directors (the “Board”) of Denali;

WHEREAS, on September 10, 2020, Plaintiff commenced a derivative action captioned *Solak v. Sato et al.*, C.A. No. 2020-0775-JTL (the “Derivative Action”) in the Delaware Court of Chancery by filing a Verified Shareholder Derivative Complaint for Breach of Fiduciary Duty, Unjust Enrichment, and Waste of Corporate Assets (the “Complaint”);

¹ All capitalized terms not otherwise defined are defined in Section II.1 herein.

WHEREAS, on October 14, 2020 the Court entered an order extending the time for Defendants to respond to the Complaint to December 11, 2020;

WHEREAS, on October 20, 2020 Plaintiff made a settlement proposal intended to fully resolve the claims at issue in the Derivative Action;

WHEREAS, on November 30, 2020, the Court entered a second order extending the time for Defendants to respond to the Complaint to January 11, 2021;

WHEREAS, after multiple rounds of negotiations between the Settling Parties, and following a significant exchange of informal discovery, on December 15, 2020, the Settling Parties reached an agreement to settle all of the claims asserted in the Derivative Action upon the terms and subject to the conditions set forth in this Stipulation (the “Settlement”);

WHEREAS, following agreement among the Settling Parties to the terms of this Stipulation other than with respect to the amount of any attorneys’ fees and expenses to be paid to Plaintiff’s Counsel, Plaintiff’s Counsel and Defendants separately negotiated and reached agreement regarding the amount of attorneys’ fees and expenses to be paid to Plaintiff’s Counsel;

WHEREAS, Plaintiff and Defendants did not discuss the appropriateness or amount of attorneys’ fees and expenses at any time prior to reaching agreement on the terms of the Settlement, and the Settling Parties understood at all times that the

Settlement was not contingent upon agreement or payment of any attorneys' fees and expenses to Plaintiff's Counsel;

WHEREAS, Plaintiff and Plaintiff's Counsel believe the Derivative Action has merit, and Plaintiff's entry into this Stipulation and the Settlement is not intended to be and shall not be construed as an admission or concession concerning the relative strength or merit of the claims alleged in the Derivative Action;

WHEREAS, Plaintiff and Plaintiff's Counsel also recognize and acknowledge the significant risk, expense, and length of continued proceedings necessary to prosecute the Derivative Action through trial and through possible appeals, and have considered, in particular, the expense of continued proceedings that could be borne by Denali;

WHEREAS, Plaintiff's Counsel has also taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as the Derivative Action, as well as the difficulties and delays inherent in such litigation, and Plaintiff's Counsel is also mindful of the inherent problems of proof and possible defenses to the claims alleged in such actions;

WHEREAS, based upon Plaintiff's Counsel's evaluation, Plaintiff has determined that the Settlement is fair, reasonable, adequate, and in the best interests of Denali and Denali's stockholders and has agreed to settle the Derivative Action upon the terms and subject to the conditions set forth herein;

WHEREAS, the Individual Defendants have denied, and continue to deny, any and all allegations of wrongdoing or liability asserted in the Derivative Action;

WHEREAS, without limiting the foregoing, the Individual Defendants have denied, and continue to deny, among other things: that they breached their fiduciary duties or any other duty owed to Denali or its stockholders in connection with the Company's compensation practices; that they were unjustly enriched as a result of any breach of fiduciary duty or other act, omission, or conduct; that they committed any waste of Denali's corporate assets; that they committed any violations of law or wrongdoing whatsoever; or that Plaintiff, Denali, or Denali's stockholders suffered any damage or were harmed as a result of any act, omission, or conduct by the Individual Defendants alleged in the Derivative Action or otherwise;

WHEREAS, the Individual Defendants have further asserted, and continue to assert, that at all relevant times, they acted in good faith and in a manner that they reasonably believed to be in the best interests of Denali and its stockholders;

WHEREAS, Defendants are entering into this Stipulation and the Settlement solely to eliminate the uncertainty, distraction, disruption, burden, risk, and expense of further litigation; and

WHEREAS, neither this Stipulation, nor any of its terms or provisions, nor entry of the Final Judgment, nor any document or exhibit attached to or referred to in this Stipulation, nor any action taken to carry out this Stipulation, may be

construed as, or may be used as evidence of, the validity of any of the Released Claims or an admission by or against Defendants of any fault, wrongdoing, or concession of liability whatsoever by any Person in the Derivative Action, or any other actions or proceedings, whether civil, criminal, or administrative.

II. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Plaintiff (individually on behalf of himself and derivatively on behalf of Denali) and Defendants, each by and through their respective counsel, subject to the approval of the Court of Chancery (the “Court”) pursuant to Court of Chancery Rule 23.1, that in exchange for the consideration set forth below, the Released Claims shall be and hereby are compromised, settled, discontinued, and dismissed with prejudice, as to all Settling Parties, and the Derivative Action shall be dismissed with prejudice as to the Defendants, upon the terms and subject to the conditions set forth herein as follows:

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below:

1.1. “Effective Date” means the date by which all of the events and conditions specified in Section II.6.1 herein have been met and have occurred.

1.2. “Execution Date” means the date upon which all Settling Parties have executed this Stipulation.

1.3. “Final Judgment” means the Order and Final Judgment entered by the Court dismissing this Derivative Action with prejudice, substantially in the form annexed hereto as Exhibit D.

1.4. “Notice” means the Notice of Pendency of Settlement of Action, substantially in the form annexed hereto as Exhibit C.

1.5. “Person” means a natural person, individual, corporation, partnership, limited partnership, limited liability partnership, limited liability company, association, joint venture, joint stock company, estate, legal representative, trust, unincorporated association, government, or any political subdivision or agency thereof, any business or legal entity, and any spouse, heir, legatee, executor, administrator, predecessor, successor, representative, or assign of any of the foregoing.

1.6. “Released Claims” means and includes any and all claims for relief or causes of action, debts, demands, rights, liabilities, losses, and claims whatsoever, known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, suspected or unsuspected, apparent or unapparent, and without regard to the subsequent discovery of additional or different facts, that have been or could have been asserted by Plaintiff as a

stockholder of Denali, or any other Denali stockholder, or any other Person acting or purporting to act derivatively on behalf of Denali against the Released Persons, in the Derivative Action or in any other forum arising out of, or based upon, any of the allegations, transactions, facts, matters, events, disclosures, non-disclosures, occurrences, representations, statements, acts or omissions, alleged or referred to in the Complaint, including, without limitation, (i) any compensation Denali paid to its non-employee directors from January 1, 2017 through the Effective Date, (ii) any non-employee director compensation plan, policies, or guidelines in effect at Denali from January 1, 2017 through the Effective Date, and (iii) any decision of the Company's officers or directors related to the foregoing; provided, however, that it is understood that "Released Claims" and any release provided by this Settlement shall not include: (a) any claims to enforce the Settlement, and (b) any claims by Defendants or any other insured to enforce their rights under any contract or policy of insurance.

1.7. "Released Persons" means the Individual Defendants and their predecessors, successors, subsidiaries, affiliates, agents, attorneys, insurers, and each of their past or present officers, directors, and employees. "Released Persons" also includes Denali and all current and former officers, directors, or employees of Denali that could have been named in the Derivative Action.

1.8. “Releasing Persons” means Plaintiff (both individually and derivatively on behalf of Denali), any other Denali stockholder acting or purporting to act on behalf of Denali, and Denali. “Releasing Person” means, individually, any of the Releasing Persons.

1.9. “Scheduling Order” means an order scheduling a Settlement Hearing and approving the form of Notice and method of giving notice, substantially in the form annexed hereto as Exhibit B.

1.10. “Settlement Hearing” means the hearing set by the Court to consider final approval of the Settlement.

1.11. “Unknown Claims” means any Released Claim(s) that Plaintiff or Defendants do not know of or suspect to exist in his, her, or its favor at the time of the release of the Released Claims, including without limitation those which, if known, might have affected the decision to enter into the Settlement. With respect to any and all Released Claims, the Settling Parties agree that upon the Effective Date, the Settling Parties and all Releasing Persons shall be deemed to have waived the provisions, rights, and benefits conferred by or under California Civil Code Section 1542, or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code Section 1542, which provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT
THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR**

SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

The Settling Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them with respect to the subject matter of the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties acknowledge, and the Denali stockholders shall be deemed by operation of the Final Judgment to have acknowledged, that the foregoing waiver was separately bargained for and is a key element of this Stipulation of which this release is a part, and was relied upon by each and all of the Defendants in entering into the Settlement.

2. Terms of the Settlement

2.1. Defendants have implemented or shall implement and maintain the Corporate Governance Reforms set forth in Exhibit A hereto.

3. Scheduling Order, Notice, and Approval

3.1. Promptly after execution of this Stipulation, the Settling Parties shall submit this Stipulation together with its exhibits to the Court, including the proposed

Scheduling Order substantially in the form of Exhibit B attached hereto, requesting: (i) the approval of the manner of notice to Denali stockholders substantially in the form attached hereto as Exhibit C; (ii) the Court's consideration of the proposed Settlement and Plaintiff's application for attorneys' fees and expenses; and (iii) a date for the Settlement Hearing.

3.2. Notice to current Denali stockholders shall consist of the Notice of Pendency of Settlement of Derivative Action (the "Notice"), substantially in the form attached hereto as Exhibit C, and shall be provided to Denali stockholders as follows: within ten (10) business days after the entry of the Scheduling Order, Denali shall mail the Notice to all record stockholders of Denali at their respective addresses currently set forth in Denali's stock records. In addition, the Company shall use reasonable efforts to give notice to all beneficial owners of Denali's stock by (i) filing a Form 8-K with the Securities and Exchange Commission ("SEC") that discloses the Settlement and attaches the Notice as an exhibit, and (ii) posting a copy of the Notice on the Company's website.

3.3. At least ten (10) business days prior to the Settlement Hearing, Defendants shall serve on counsel in the Derivative Action and file with the Court an appropriate affidavit with respect to the preparation, mailing, and public disclosure of the Notice in the manner set forth in Section II.3.2.

3.4. Denali shall be responsible for all costs associated with the mailing and public disclosure of the Notice. If additional notice is required by the Court, then the cost and administration of such additional notice will be borne by Denali.

3.5. The Settling Parties believe the content and manner of the Notice constitutes adequate and reasonable notice to Denali stockholders pursuant to applicable law and due process.

3.6. Pending the Court's determination as to final approval of the Settlement, Plaintiff agrees to stay this proceeding and not to initiate any other proceedings other than those incident to the Settlement itself.

3.7. The Settling Parties will request the Court to order (in the Scheduling Order) that, pending final determination of whether the Settlement should be approved by the Court, Plaintiff in the Derivative Action and all Denali stockholders are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claim against Defendants or any of the Released Persons.

3.8. The Settling Parties and their attorneys agree to use their individual and collective best efforts to obtain Court approval of the Stipulation. The Settling Parties and their attorneys further agree to use their individual and collective best efforts to effect, take, or cause to be taken all actions, and to do, or cause to be done, all things reasonably necessary, proper, or advisable under applicable laws,

regulations, and agreements to consummate and make effective, as promptly as practicable, the Stipulation provided for hereunder and the dismissal of the Derivative Action.

4. Attorneys' Fees and Expenses

4.1. Defendants acknowledge and agree that Plaintiff's Counsel is entitled to a fee award. Subject to the terms and conditions of the Stipulation and any Order of the Court, Denali has agreed to pay an award of attorneys' fees and expenses to Plaintiff's Counsel of \$385,000 (the "Fee and Expense Amount") or any lesser amount permitted by the Court or the Delaware Supreme Court. The Fee and Expense Amount shall be paid by Denali and/or its insurers. Plaintiff's Counsel may apply for attorneys' fees and expenses only in the Court and shall make no application for attorneys' fees or expenses in any other jurisdiction. The Fee and Expense Amount shall be paid to Plaintiff's Counsel within ten (10) business days after the Court enters the Final Judgment, subject to Plaintiff's Counsel's timely provision of the requisite payment information, including wire instructions and a completed Form W-9, and obligation to refund that amount within ten (10) business days if the Settlement is reversed, vacated or modified on appeal or by collateral attack. Except as otherwise provided herein, each of the Settling Parties shall bear his, her, or its own fees and costs and neither Denali nor any other Released Person

shall have any obligations with respect to Plaintiff's Counsel's fees and/or expenses beyond the Fee and Expense Amount.

4.2. Any failure of the Court to approve a request for the Fee and Expense Amount in whole or in part shall not affect the remainder of the Settlement.

4.3. No fees or expenses shall be paid to Plaintiff's Counsel pursuant to the Settlement in the absence of approval by the Court of a complete release of all Released Persons, substantially in the form of Section II.5.1 herein. This section shall be immediately binding on the Settling Parties.

4.4. Except as provided in Section II.4 of this Stipulation, Defendants shall have no obligation to pay or reimburse any fees, expenses, costs, or damages alleged or incurred by Plaintiff, by Denali stockholders, or by their attorneys, experts, advisors, or representatives with respect to the Released Claims.

5. Releases

5.1. Upon the Effective Date, the Releasing Persons shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice the Released Claims (including Unknown Claims) against the Individual Defendants and each and all of the Released Persons; provided, however, that such release shall not affect any claims or impair or restrict the rights of any Settling Party to enforce the terms of this Stipulation.

5.2. Upon the Effective Date, the Released Persons and Denali, along with their predecessors, successors and assignees, shall be deemed to have, and by operation of the Final Judgment shall have, fully, finally, and forever settled, released, discharged, extinguished, and dismissed with prejudice all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Derivative Action against Plaintiff and Plaintiff's Counsel, and their predecessors, successors and assignees; provided, however, that such release shall not affect any claims or impair or restrict the rights of any Settling Party to enforce the terms of this Stipulation.

6. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

6.1. The Settlement shall be conditioned on the occurrence of all of the following events: (a) Court approval of the Settlement, following dissemination of the Notice to Denali's stockholders and the Settlement Hearing; (b) entry of the Final Judgment in the Derivative Action approving the proposed Settlement and providing for the dismissal with prejudice of the Derivative Action and the grant of the release of the Released Claims; (c) dismissal with prejudice of the Derivative Action without the award of any damages, costs, fees, or the grant of any further relief to any party, except as provided in Section II.4.1 of this Stipulation; and (d) the expiration of the time to seek an appeal or otherwise review the Final Judgment.

6.2. If any of the conditions listed in Section II.6.1 are not met, this Stipulation and any Settlement documentation shall be null and void and of no force and effect. Furthermore, in the event that any of the conditions listed in Section II.6.1 are not met: the Settling Parties shall be restored to their positions on the date immediately prior to the Execution Date, this Stipulation shall not be deemed to constitute an admission of fact by any Settling Party, and neither the existence of this Stipulation, nor its contents, shall be admissible in evidence or be referred to for any purposes in the Derivative Action or in any litigation or judicial proceeding; this Stipulation shall not be deemed to entitle any Settling Party to the recovery of costs and expenses incurred in connection with the intended implementation of the Settlement, except as provided in Section II.4 of this Stipulation; and all releases delivered in connection with this Stipulation shall be null and void.

7. Dismissal of the Derivative Action

7.1. If the Court approves the Settlement, the Settling Parties shall promptly request that the Court enter the proposed Final Judgment, substantially in the form attached hereto as Exhibit D.

8. The Stipulation Is Not an Admission

8.1. This Stipulation reflects, among other things, the compromise and settlement of disputed claims among the Settling Parties hereto, and neither this Stipulation nor the releases given herein, nor any consideration, nor any actions

taken to carry out this Stipulation, are intended to be, nor may they be deemed or construed to be, an admission or concession of liability (or lack thereof), or the validity of any claim, or defense, or of any point of fact or law on the part of any Settling Party hereto regarding those facts that have been or might have been alleged in the Derivative Action or in any other proceeding. Defendants and the Released Persons may file the Stipulation and/or Final Judgment in any action that has been or may be brought against them in order to support a claim or defense based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

9. Miscellaneous Provisions

9.1. The Settling Parties acknowledge that it is their intent to consummate the terms and conditions of this Stipulation and agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the terms and conditions of the Stipulation expeditiously.

9.2. The Settling Parties agree that the terms of this Stipulation and the Settlement were negotiated in good faith by the Settling Parties and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their rights to rebut, in a manner that such

Settling Party determines to be appropriate, any contention made in any public forum that the Derivative Action was brought or defended in bad faith or without a reasonable basis.

9.3. This Stipulation shall be deemed to have been mutually prepared by the Settling Parties hereto and shall not be construed against any of them by reason of authorship.

9.4. This Stipulation may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document. Any signature to the Stipulation by means of facsimile or electronically scanned and sent via email shall be treated in all manner and respects as an original signature and shall be considered to have the same binding legal effect as if it were the original signed version thereof.

9.5. All Persons executing this Stipulation thereby represent that they have been authorized and empowered to do so.

9.6. Plaintiff and Plaintiff's Counsel represent and warrant that none of Plaintiff's claims referred to in this Stipulation or that could have been alleged in the Derivative Action have been assigned, encumbered, or in any manner transferred in whole or in part.

9.7. This Stipulation embodies and represents the full agreement of the Settling Parties and supersedes any and all prior agreements and understandings

relating to the subject matter hereof between or among any of the Settling Parties hereto. This Stipulation shall not be modified or amended, nor shall any provision of this Stipulation be deemed waived, unless such modification, amendment, or waiver is in writing and executed by or on behalf of the Settling Parties. The waiver by any Settling Party of any provision or the breach of this Stipulation shall not be deemed a waiver of any other provision or breach of this Stipulation.

9.8. If any provision of this Stipulation is held to be unlawful, invalid, or unenforceable: (i) such provision will be fully severable; (ii) this Stipulation will be construed and enforced as if such unlawful, invalid, or unenforceable provision had never comprised a part of this Stipulation; and (iii) the remaining provisions of this Stipulation will remain in full force and effect and will not be affected by the unlawful, invalid, or unenforceable provision or by its severance from this Stipulation, except that in no event will this Stipulation or any part thereof be enforceable if any of Sections 1.6, 1.7, 1.8, 1.11, 5.1 or 5.2 are found to be unlawful, invalid, or unenforceable.

9.9. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties.

9.10. Notwithstanding the entry of the Final Judgment, the Court shall retain jurisdiction with respect to the implementation, enforcement, and interpretation of the terms of the Stipulation. All Settling Parties submit to the exclusive jurisdiction

of the Court (or any other state or federal court in the State of Delaware should the Court lack subject matter jurisdiction) for purposes of implementing, enforcing, and interpreting the Stipulation. With respect to such action, each Settling Party irrevocably and unconditionally: (i) consents to the personal jurisdiction in the State of Delaware; (ii) waives any objection to venue in the State of Delaware and any claim that Delaware is an inconvenient forum; and (iii) consents to service of process by registered or certified mail directed to the undersigned counsel.

9.11. The construction and interpretation of this Stipulation shall be governed by and construed in accordance with the laws of the State of Delaware and without regard to the laws that might otherwise govern under principles of conflicts of law applicable hereto.

9.12. Without further order of the Court, the Settling Parties hereto may agree to reasonable extensions of time to carry out any of the provisions in Section II.2 of the Stipulation.

IN WITNESS WHEREOF, IT IS HEREBY AGREED by the undersigned
as of the date noted above.

Dated: January 13, 2021

WILSON SONSINI GOODRICH
& ROSATI, P.C.

/s/ Brad D. Sorrels

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