

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRITSTONE BIO, INC.,¹

Debtor.

Chapter 11

Case No. 24-12305 (KBO)

**MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS
(I) AUTHORIZING THE DEBTOR TO (A) PAY PREPETITION EMPLOYEE WAGES,
SALARIES, OTHER COMPENSATION, AND REIMBURSABLE EMPLOYEE
EXPENSES AND (B) CONTINUE EMPLOYEE BENEFITS PROGRAMS AND
(II) GRANTING RELATED RELIEF**

The above-captioned debtor and debtor-in-possession (the “Debtor”) files this motion (the “Motion”) for the entry of an interim order on an expedited basis, substantially in the form attached hereto as **Exhibit A** (the “Proposed Interim Order”) and, following a final hearing to be set by the Court (the “Final Hearing”), the entry of a final order, substantially in the form attached hereto as **Exhibit B** (the “Proposed Final Order”): (a) authorizing the Debtor to (i) pay prepetition wages, salaries, other compensation, and reimbursable employee expenses, and (ii) continue employee benefits programs in the ordinary course, including payment of certain prepetition obligations related thereto, in an aggregate amount not to exceed \$1,297,296 pursuant to the Interim Order and \$1,297,296 pursuant to the Final Order; and (b) granting related relief.² In addition, the Debtor

¹ The Debtor’s mailing address is 4698 Willow Road, Pleasanton, CA 94588, and the last four digits of the Debtor’s federal tax identification number is 9534.

² On or about October 3, 2024, the Debtor paid its payroll processor nearly all of the cash necessary to satisfy the claim payable on the October 15 and 31, 2024 payroll cycles. Accordingly, the Debtor does not believe that it needs Court authorization for its payroll provider to process payroll to the extent the Debtor funded its payroll prior to the petition date. Nevertheless, the Debtor is seeking authorization out of an abundance of caution and to disclose to the Court and parties in interest the status regarding its obligations to Employees. As set forth in greater detail herein, the Debtor will outline which payments are being distributed from the Debtor’s bank account after the Petition Date which payments occurred prior to the Petition Date.



requests that the Court schedule a final hearing to consider approval of this Motion on a final basis. In support of this Motion, the Debtor relies upon and refers this Court to the *Declaration of Vassiliki (“Celia”) Economides in Support of the Debtor’s Chapter 11 Petition and First Day Relief* (the “First Day Declaration”), incorporated herein by reference.³ In further support of the Motion, the Debtor respectfully represents as follows:

JURISDICTION AND VENUE

1. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and the Court may enter a final order consistent with Article III of the United States Constitution. The Debtor confirms its consent, pursuant to Rule 9013-1(f) of the Local Rules, to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The bases for the relief requested herein are sections 105(a), 362(d), 363(b), 507(a), and 541(b)(1) of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), Bankruptcy Rules 6003 and 6004, and Local Rule 9013-1(m).

BACKGROUND

4. On October 10, 2024 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor is operating its business and managing

³ A capitalized term used but not defined herein shall have the meaning ascribed to it in the First Day Declaration.

its properties as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No party has requested the appointment of a trustee or examiner in this Chapter 11 Case, and no committees have been appointed or designated.

5. A detailed description of the Debtor's business and facts precipitating the filing of the Debtor's chapter 11 proceeding are set forth in the First Day Declaration.

THE DEBTOR'S WORKFORCE

6. The Debtor must seek to shore up morale in various areas of operation and management to preserve the business and ensure a successful restructuring in this case. The Employees' continued focus, energy, and efforts are critical to the Debtor's ability to restructure and to maximize creditor recoveries in this chapter 11 case.

7. As of the Petition Date, the Debtor employs approximately 130 employees, 110 of whom are salaried and 20 of whom are hourly (the "Employees"). The Employees perform a variety of functions critical to the preservation of value and the administration of the Debtor's estate. In many instances, the Employees include personnel who have specialized and unique technical and scientific expertise, are intimately familiar with the Debtor's business, processes, and systems, and who cannot be easily replaced. Without the continued, uninterrupted services of the Employees, the Debtor simply could not run its business and preserve value for the benefit of all stakeholders.

8. Many of the Employees rely on their compensation and benefits to pay their daily living expenses. Thus, the Employees will be exposed to significant financial constraints if the Debtor is not permitted to continue paying the Employees' compensation and providing the Employees with health and other benefits. Without the continued, uninterrupted services of their Employees, the Debtor's reorganization efforts will be threatened. Consequently, the Debtor

respectfully submits that the relief requested herein is necessary and appropriate under the facts and circumstances of this chapter 11 case.

9. To minimize the personal hardship the Employees could suffer if prepetition Employee-related obligations are not paid when due or as expected and to maintain stability in the Debtor's workforce during the administration of the Debtor's chapter 11 case, the Debtor, by this motion, seeks authority to: (a) pay and honor certain prepetition claims relating to, among other things, wages, salaries, and other compensation, payroll services, federal and state withholding taxes and other amounts withheld (including garnishments, Employees' share of insurance premiums, and taxes), reimbursable expenses, health insurance, retirement and related benefits, workers' compensation benefits, life insurance, short-term and long-term disability coverage, and certain other benefits that the Debtor has historically provided in the ordinary course (collectively, the "Employee Compensation and Benefits"); and (b) pay all costs incident to the Employee Compensation and Benefits, collectively in an aggregate amount not to exceed \$1,297,296 pursuant to the Interim Order and \$1,297,296 pursuant to the Final Order.

10. Subject to approval from the Court, the Debtor intends to continue its applicable prepetition Employee Compensation and Benefits in the ordinary course. Out of an abundance of caution, the Debtor further requests authority to modify, change, and discontinue any of its Employee Compensation and Benefits and to implement new programs, policies, and benefits in the ordinary course during this chapter 11 case without the need for further Court approval, subject to the Bankruptcy Code and any other provisions of applicable law.

11. By this Motion, the Debtor seeks authority to make or effectuate payments related to prepetition amounts owed on account of the Employee Compensation and Benefits, subject to the following limits:

Employee Obligation	Interim Amount	Final Amount
Unpaid Compensation (Gross wages)	\$798,721	\$798,721
Withholding Obligations ⁽¹⁾	\$28,634	\$28,634
Payroll Processing Fees	\$5,000	\$5,000
Independent Contractors	\$150,000	\$150,000
Reimbursable Expenses	\$30,000	\$30,000
Employee Compensation	\$1,012,355	\$1,012,355
Health Benefit Plan Premiums ⁽²⁾	\$196,257	\$196,257
Life and AD&D Insurance	\$40,434	\$40,434
401(k) Plan ⁽³⁾	\$48,000	\$48,000
Miscellaneous Benefits	\$250	\$250
Employee Benefits Programs	\$284,941	\$284,941
Total	\$1,297,296	\$1,297,296
(1) Represents Employer portion of Withholding Obligations. (2) Represents Employer funded portion of Health Benefits Plan Premiums. (3) Represents Employer matching portion of 401(k) Plan and associated fees to administer 401(k) Plan.		

EMPLOYEE COMPENSATION AND WITHHOLDING OBLIGATIONS

A. Unpaid Compensation

12. In the ordinary course, the Debtor incurs obligations to its Employees for, among other things, wages, salaries, overtime, and other obligations described herein (collectively, the “Employee Compensation”). Employees are typically paid on the fifteenth (15th) and last day of the month.⁴ Salaried employees are paid for the approximately fifteen (15) days preceding payment. Hourly employees are paid on a one-week delay.

13. As of the Petition Date, the Debtor estimates that it owes approximately \$798,721 on account of accrued and unpaid Employee Compensation earned by Employees prior to the

⁴ If the fifteenth (15th) or last day of the month falls on the weekend or holiday, employees are paid on the weekday preceding the weekend or holiday.

Petition Date (the “Unpaid Compensation”), all of which will come due within the first twenty-one days of this Chapter 11 Case—the next pay-day is October 15, 2024. The Debtor seeks authority to pay salaried employees accrued pre-petition compensation for the period from October 1 through October 9, 2024 and to pay hourly employees accrued but unpaid pre-petition compensation for the period from September 24 through October 9, 2024. The cash to pay these claims was funded prior to the Petition date. While the accrued pre-petition compensation of one Employee exceeds the \$15,150 priority wage cap imposed by section 507(a)(4) of the Bankruptcy Code by approximately \$3,000, as noted above, the Debtor prefunded the payroll for all Employees including this amount to its payroll processor before the Petition Date. As a result, the Debtor is not funding a prepetition payroll claim during the postpetition period.

14. As described above, if the Employees lose the Unpaid Compensation that they are owed, it could cause Employees to experience financial hardship. In light of the substantial benefit the Employees will continue to provide to the Debtor’s estate, the Debtor wishes to avoid imposing such a hardship.

15. As noted above, the Debtor prefunded its payroll for the next two pay periods with its payroll processor. Nevertheless, out of an abundance of caution, the Debtor seeks authority to pay its Employees any Unpaid Compensation in the ordinary course and consistent with past practice up to the amount of \$798,721 and to continue the Employee Compensation in the ordinary course.

B. Withholding Obligations

16. During each applicable payroll period, the Debtor routinely deducts certain amounts from Employees’ paychecks, including garnishments, child support, and similar

deductions, legally ordered deductions, and miscellaneous deductions (collectively, the “Deductions”), and forward such amounts to various third-party recipients.

17. In addition to the Deductions, certain federal and state laws require that the Debtor withhold certain amounts from Employees’ gross pay related to federal, state, and local income taxes, as well as Social Security and Medicare taxes (collectively, the “Employee Payroll Taxes”) for remittance to the appropriate federal, state, or local taxing authorities. The Debtor must then match the Employee Payroll Taxes from its own funds and pay, based upon a percentage of gross payroll, additional amounts for federal and state unemployment insurance and Social Security and Medicare taxes (together with the Employee Payroll Taxes, the “Payroll Taxes”). The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, and local taxing authorities at the same time the Employees’ payroll checks are disbursed.

18. As of the Petition Date, the Debtor estimates that it will have approximately \$248,337 in unpaid Deductions and Payroll Taxes (together, the “Withholding Obligations”) outstanding, all of which will come due within the first twenty-one days of this Chapter 11 Case. The Withholding Obligations were funded prior to the Petition Date. By this motion, the Debtor seeks authority to pay in a manner consistent with historical practice any unpaid Withholding Obligations and to continue to honor the Withholding Obligations in the ordinary course during the administration of this Chapter 11 Case.

C. Payroll Processing

19. Payment of Employee payroll and certain Withholding Obligations for the Debtor’s Employees are processed by Paylocity. As of the Petition Date, the Debtor estimates that it owes \$5,000 on account of prepetition payroll services (the “Unpaid Payroll Processing Fees”). The Unpaid Payroll Processing Fees were not funded prior to the Petition Date. By this motion, the

Debtor seeks authority to pay the Unpaid Payroll Processing Fees consistent with past practice and to continue payroll processing in the ordinary course during the administration of this Chapter 11 Case.

D. Reimbursable Expenses

20. Prior to the Petition Date and in the ordinary course, the Debtor reimbursed Employees or paid credit card invoices of certain Employees for approved expenses incurred on behalf of the Debtor in the scope of their employment (the “Reimbursable Expenses”). The Reimbursable Expenses are largely on account of costs related to airfare, lodging, ground transportation and business meals. Employees who pay up front for Reimbursable Expenses apply for reimbursement by submitting an expense report to the Debtor. Once it has determined that the charges are for legitimate reimbursable business expenses, the Debtor reimburses Employees for these expenses. The Debtor’s inability to reimburse such expenses could impose hardship on such individuals, where such individuals otherwise incurred obligations for the Debtor’s benefit.

21. Historically, the Debtor pays Reimbursable Expenses of approximately \$80,000 per month in the aggregate. As of the Petition Date, the Debtor estimates that it owes approximately \$30,000 in aggregate Reimbursable Expenses. The Reimbursable Expenses were not funded prior to the Petition date.

22. Although the Debtor asks that reimbursement requests be submitted promptly, sometimes submission delays occur and Employees may submit reimbursement requests for prepetition expenses after the Petition Date. Employees incurred the Reimbursable Expenses as business expenses on the Debtor’s behalf and with the understanding that such expenses would be reimbursed fully. Accordingly, to avoid harming Employees who incurred the Reimbursable Expenses and who may become personally liable for such expenses, the Debtor requests authority

to pay the Reimbursable Expenses and to continue to pay the Reimbursable Expenses in the ordinary course.

E. Independent Contractors

23. The Debtor is invoiced for the services of approximately 60 Independent Contractors. During the previous six months, the Debtor has paid approximately \$125,000 per month to Independent Contractors. Because the amount owing depends on hours actually spent, the precise amount of prepetition amounts owing to the Independent Contractors is unknown. Because the prepetition amounts owing to the Independent Contractors is not known, they were not funded prior to the Petition date. Accordingly, the Debtor hereby seeks authorization in its discretion to pay up to the amount of \$150,000 on account of prepetition amounts that may be owing to Independent Contractors.

EMPLOYEE BENEFITS PROGRAMS.

24. The Debtor offers certain of its Employees the ability to participate in a number of insurance and benefits programs, including, among other programs, medical, vision and dental plans, HSAs, life insurance, accidental death and dismemberment insurance, disability benefits, workers' compensation, retirement plans, incentive programs, paid time off, and other employee benefit plans (collectively, the "Employee Benefits Programs").

25. As described above, failure to continue the Employee Benefits Programs could cause Employees to experience severe hardship. In light of the substantial benefit the Employees have provided and will continue to provide to the Debtor's estate, the Debtor wishes to avoid imposing such a hardship. Accordingly, by this motion, the Debtor seeks authority to: (a) pay any unpaid amounts due with respect to the Employee Benefits Programs; and (b) continue to provide certain Employee Benefits Programs in the ordinary course during the administration of this

Chapter 11 Case. As of the Petition Date, the Debtor estimates that they owe approximately \$463,771 on account of the Employee Benefits Programs, \$463,771 of which will come due within the first twenty-one days of this Chapter 11 Case. The Employee Benefits Programs are described in greater detail below.

B. Health Benefit Plans

26. The Debtor offers eligible Employees and their families the opportunity to participate in a number of health benefit plans, including medical, vision, and dental plans (collectively, the “Health Benefit Plans”). The Debtor funds the Health Benefits Plans through a combination of regular deductions from Employee wages and Debtor contributions. Specifically, the Debtor provides the following effective on the first of the month following date of hire:

- Medical Plan: The Debtor provides (a) a PPO plan with Anthem Blue Cross and Blue Shield (“Anthem”), which is fully insured; (b) a HDHP plan with Anthem, which is fully insured; and , in California only (b) an HMO plan with Kaiser Permanente (“Kaiser”), which is fully insured (collectively, the “Medical Plans”). The Debtor funds the Medical Plans, in part, with regular deductions from Employee wages. The Debtor also pays a portion of the premiums for the Medical Plans. As of the Petition Date, the Debtor estimates that approximately \$234,753 is owed to Kaiser and Anthem. The Debtor prefunded this amount prior to the Petition Date.
- Dental Plan: Additionally, the Debtor offers its Employees the option of participating in a dental plan (the “Dental Plan”) with Anthem. The Dental Plan is also a fully-insured program where both Employees and the Debtor pay a portion of the premiums. As of the Petition Date, the Debtor estimates that approximately \$16,233 is owed to Anthem. The Debtor prefunded this amount prior to the Petition Date.
- Vision Plan: The Debtor also offers its Employees the option of participating in a vision plan (the “Vision Plan”) with Anthem, which is also fully-insured. The Debtor and the Employees each pay a portion of the premiums for the Vision Plan. As of the Petition Date, the Debtor estimates that approximately \$322 is owed to Anthem. The Debtor prefunded this amount prior to the Petition Date.

27. In addition to the amounts above, the Debtor anticipates that it may owe amounts based on costs incurred under the Health Benefit Plans before the Petition Date that may be billed by Kaiser and Anthem months after the costs are incurred (the “Adjustments”). The Adjustments typically account for changes in coverage under the Health Benefit Plans such as the addition or removal of family members from an Employees’ Health Benefit Plan. Historically, the Debtor has paid \$6,000 in Adjustments per month.

28. The Debtor hereby seeks authorization in its discretion to pay up to the amounts described above on account of Employer funded prepetition amounts owing under its Health Benefit Plans, all of which were prefunded except any of the claims relating to an Adjustment.

29. As required by law, the Debtor also offers coverage under certain of the Health Benefit Plans to its former employees who have elected COBRA coverage. As part of the relief requested hereunder, the Debtor requests authority to pay any unpaid prepetition premium payments relating to COBRA coverage as they come due in accordance with their prepetition policy and otherwise to continue to honor its prepetition policy concerning COBRA in the ordinary course of business.

C. Other Insurance, Disability Benefits, and Employee Financial Assistance Programs

1. Life and AD&D Insurance Programs

30. The Debtor provides life and accidental death and dismemberment insurance (the “Basic Life and AD&D Insurance”) to certain Employees through New York Life (“NY Life”). The Basic Life and AD&D Insurance provides full-time eligible Employees a death benefit or A&D Benefit of 100 percent of annual salary capped at \$600,000.

31. Employees may choose to purchase voluntary supplemental life insurance and accidental death and dismemberment insurance (the “Supplemental Life and AD&D Insurance”)

through NY Life. The Debtor's Supplemental Life and AD&D Insurance is an optional benefit for Employees that wish to supplement the Basic Life and AD&D Insurance. The Supplemental Life and AD&D Insurance is completely funded by participating Employees, through deductions from participating Employees' wages, but administered by the Debtor. Because Employees pay for all costs of Supplemental Life and AD&D, the Debtor does not believe that it owes any amounts with respect to the Supplemental Life and AD&D Insurance as of the Petition Date. Nevertheless, out of an abundance of caution, it seeks authority to continue to offer this benefit in the ordinary course.

2. Disability Benefits

32. The Debtor provides all Employees with short-term and long-term disability benefits (the "Disability Benefits") through NY Life.

33. For full-time Employees, the short-term disability benefit replaces a portion of the Employee's income (60 percent of weekly earnings up to a maximum weekly amount of \$2,308) on the eighth consecutive day after the Employee is unable to work due to accident or sickness. The short-term disability benefit lasts for 13 weeks at which time an Employee may begin receiving a long-term disability benefit.

34. Once an Employee has exhausted their short-term disability coverage and are still unable to return to work, Employees are eligible for long-term disability coverage. The long-term disability benefit replaces a portion of the Employee's income (60 percent of covered monthly earnings with a maximum cap of \$12,500 per month).

35. As of the Petition Date, the Debtor estimated that its owes NY Life approximately \$52,127 on account of the Basic Life and AD&D Insurance and Disability Benefits programs. The

Debtor did not prefund the claims relating to the Basic Life and AD&D Insurance and Disability Benefits and seeking authorization to pay such claims.

3. Flexible Spending Accounts and HSAs

36. The Debtor provides eligible Employees with health flexible spending accounts (the “FSAs”), and for Employees enrolled in the Anthem HDHP Medical Plan, health savings accounts (the “HSAs”), administered through Paylocity. The FSAs and HSAs pay (or reimburse) eligible healthcare expenses for Employees and their eligible dependents to help defray medical expenses, including deductible payments, coinsurance, prescription drugs, urgent and emergency care, lab tests, and hospital visits. The Debtor seeks authority to continue to withhold and remit payments to the FSAs and HSAs.

D. Workers’ Compensation Program

37. The Debtor maintains workers’ compensation insurance for its Employees (or are otherwise self-insured) at the statutorily required level for each state in which the Debtor has Employees (collectively, the “Workers’ Compensation Program”). The Debtor maintains coverage for the Workers’ Compensation Program through The Travelers Indemnity Company (“Travelers”). The Workers’ Compensation Program is provided on a guaranteed cost basis with no deductible nor self-insured retention. The Debtor pays a premium, regardless of the number or the amount of workers’ compensation claims.

38. The Debtor must continue the claim assessment, determination, adjudication, and payment process pursuant to the Workers’ Compensation Program without regard to whether such liabilities are outstanding before the Petition Date to ensure that the Debtor complies with applicable workers’ compensation laws and requirements. There are currently no open claims under the Workers’ Compensation Program.

39. Because the Debtor is statutorily and/or contractually obligated to maintain the Workers' Compensation Program, its inability to do so may result in adverse legal consequences that disrupt the restructuring process. The Debtor seeks authority to (a) continue the Workers' Compensation Program in the ordinary course of business on a postpetition basis⁵ and (b) modify the automatic stay solely to allow Employees to assert claims under the Workers' Compensation Program.

E. 401(k) Plan

40. The Debtor offers eligible Employees the opportunity to participate in a 401(k) plan (the "401(k) Plan"). The 401(k) Plan generally provides for pre-tax salary deductions of compensation up to limits set by the Internal Revenue Code. The Debtor makes a non-discretionary matching contribution of 100 percent of each Employee's contribution up to four percent of such Employee's compensation contributed to the plan (the "401(k) Contributions"). The 401(k) Plan is administered by Fidelity and allows for automatic pre-tax wage deductions of eligible compensation up to the limits set forth by the Internal Revenue Code.

41. Each pay period, Paylocity deducts the Employees' 401(k) Plan contributions from the Employees' paychecks (the "401(k) Deductions") and holds such amounts in trust until they are forwarded to Fidelity Investments ("Fidelity"). The Debtor deducts approximately \$120,488 in the aggregate each month from Employees' paychecks and then contributes approximately, on average, an additional \$56,856 per month on account of the 401(k) Contributions. Additionally, after non-discrimination testing, the 401(k) Plan provides for the Debtor to pay a "true-up"

⁵ The Debtor's Workers' Compensation Program may change postpetition in the ordinary course of business due to changes in applicable laws and regulations and the Debtor's ability to meet requirements thereunder. By this Motion, the Debtor requests authority to continue the Workers' Compensation Program postpetition, including making any changes to current policy and practices that become necessary, subject to applicable law.

matching 401(k) Contribution, which would be due in approximately the first quarter of 2025. As of the Petition Date, the Debtor estimates that it owes \$45,565 on account of the amount of 401(k) Deductions withheld from Employee paychecks and approximately \$21,600 in Debtor's matching 401(k) Contributions. The 401(k) Deductions were not prefunded before the Petition Date.

42. In addition, the Debtor made retention bonus payments to certain Employees before the Petition Date. As a result of the retention bonus payments, Paylocity deducted \$25,000 in Employees' 401(k) Plan contributions from the Employees' retention bonuses (the "401(k) Retention Bonus Deductions") and is holding such amounts in trust until they are forwarded to Fidelity. The Debtor is holding \$14,800 on account of its 401(k) Contributions related to the retention bonus payments (the "401(k) Retention Bonus Contributions"). The 401(d) Retention Bonus Deductions were not prefunded prior to the Petition Date.

43. Further, active Employees are permitted to take a loan from their 401(k) account (the "401(k) Loan") and to repay their 401(k) Loan over a set period of time. Paylocity deducts the Employees' 401(k) Loan repayments from the Employees' paychecks (the "401(k) Loan Repayments") and holds such amounts in trust until they are forwarded to Fidelity. The Debtor deducts approximately \$2,915 in the aggregate each month from Employees' paychecks. The 401(d) Loan Repayments were not prefunded before the Petition Date. As of the Petition Date, the Debtor estimates that it owes \$1,222 on account of the amount of 401(k) Loan Repayments withheld from Employee paychecks.

44. The Debtor retains Fidelity to act as a 401(k) administrator and record keeper, Alliant Retirement Services ("Alliant") to act as broker,⁶ and Moss Adams LLP ("Moss Adams") to act as auditor of the 401(k) Plan. The Debtor pays Fidelity, Alliant, and Moss Adams directly

⁶ Alliant also acts as third party consultants to help address Employees' questions about their benefits.

for their services, rather than deduct the costs out of the 401(k) assets. As of the Petition Date, the Debtor estimates that it owes Fidelity approximately \$10,000 for its services and that it owes Alliant approximately \$1,600 for its services, which were not prefunded prior to the Petition Date.⁷ The Debtor believes it is current on all payments to Moss Adams for its auditing services. The Debtor seeks authority to honor its commitments to Fidelity as 401(k) administrator, Alliant as broker, and Moss Adams as 401(k) auditor (whether due prepetition or arising postpetition), in the ordinary course on a postpetition basis.

45. Many Employees' retirement savings solely consist of the 401(k) Plan. Thus, the Debtor believes that continuing the 401(k) Plan is essential to maintaining Employee morale and protecting Employee expectations. In addition, the Debtor believes that the 401(k) Deductions, 401(k) Loan Repayments, and 401(k) Retention Bonus Deductions are generally held in trust by the Debtor and are not property of its estate.

46. Accordingly, pursuant to the Interim Order and the Final Order, the Debtor seeks the authority to (a) continue the 401(k) Plan in the ordinary course of business on a postpetition basis, (b) remit all unremitted 401(k) Deductions, 401(k) Contributions, and 401(k) Loan Repayments collected in the ordinary course of business, (c) remit all unremitted 401(k) Retention Bonus Deductions and 401(k) Retention Bonus Contributions, and (d) pay Fidelity, Alliant, and Moss Adams for prepetition services. As of the Petition Date, the Debtor estimates that it owes approximately \$118,824 on account of the 401(k) Plan, \$118,824 of which will come due within the first twenty-one days of this Chapter 11 Case.

⁷ This amount is inclusive of all of the services Alliant provides to the Debtor and its Employees.

F. Paid Time Off

47. In the ordinary course of business, the Debtor provides paid time off to its Employees (the “Paid Time Off”). Full-time employees generally accrue twenty days (160 hours) of Paid Time Off per year (the “Accrued Paid Time Off”). Full-time employees who have been with Gritstone for more than five (5) years generally accrue twenty-five days (200 hours) of Accrued Paid Time Off. Part-time employees accrue Paid Time Off on a *pro rata* basis in accordance with the number of hours actually worked.

48. Accrued Paid Time Off carries over from one calendar year to the next but accrues up to a maximum of two-hundred twenty (220) hours. Upon resignation or termination of employment, Gritstone will compensate Employees for Accrued Paid Time Off.

49. Accruals of Paid Time Off, however, are not a current cash payment obligation. By this Motion, the Debtor seeks authority to pay any “cash out” amounts required under applicable law with respect to earned but unused Paid Time Off and to continue the Paid Time Off policy in the ordinary course. For the avoidance of doubt, the Debtor seeks authority to pay any “cash out” amounts required under applicable law with respect to earned but unused Paid Time Off in excess of \$15,150 solely pursuant to the Final Order.

50. In addition, the Debtor provides Paid Parental Leave (“PPL”) to Employees who are expectant parents or the partner of an expectant parent. Under its PPL, the Debtor provides certain Employees supplemental pay up to one hundred (100) percent of the Employee’s salary or wages for up to ten work weeks to allow time for an Employee to bond with a new child entering their family through birth, adoption, surrogacy, or foster care placement. The Debtor coordinates PPL with any paid family leave wage reimbursement benefits for which an Employee is otherwise eligible.

51. Further, the Debtor provides certain other forms of paid and unpaid leave, including, for example, (a) paid holidays, (b) leave under the Family and Medical Leave Act, and (c) other paid and unpaid leaves of absence for personal reasons, including those required by law. Importantly, these other forms of paid and unpaid leave, including the PPL, do not involve incremental cash outlays beyond standard payroll obligations.

52. The Debtor believes that the continuation of Paid Time Off is essential to maintaining Employee morale during this Chapter 11 Case. Further, the policies are broad-based programs upon which all Employees have come to depend. The Debtor anticipates that its Employees will utilize any accrued paid leave in the ordinary course of business under its current policies, which will not create any material cash flow requirements beyond the Debtor's regular payroll obligations.

G. Severance

53. Historically, the Debtor paid severance in cash to Employees who were terminated without cause, together with any pay in lieu of providing notice pursuant to applicable WARN requirements. Consistent with prepetition policy and practices, the Debtor hereby seeks authorization to pay severance consistent with past practice.

H. Employee Stock Purchase Program

54. For eligible employees, the Debtor offers an employee stock purchase program ("ESPP"), which provides employees an opportunity to purchase company shares priced at a 15% discount. Pursuant to the ESPP, company shares are purchased every six months based on funds accumulated through voluntary Employee payroll deductions (the "ESPP Deductions"). As of the Petition Date, the Debtor estimates that it is holding \$130,000 of ESPP Deductions withheld from Employee paychecks and designated for purchasing Gritstone's shares in accordance with the

ESPP on November 30, 2024. The Debtor seeks authority to terminate the ESPP and return the accumulated ESPP Deductions to Employees. In addition, the Debtor believes that the ESPP Deductions are generally held in trust by the Debtor and are not property of its estate.

I. Other Miscellaneous Benefits

55. As of the Petition Date, the Debtor offers eligible Employees with additional miscellaneous benefits including the following (collectively, the “Miscellaneous Benefits”):

- The Debtor offers identity theft insurance through IDShield to its Employees. Employees are responsible for payment of the monthly premiums, which are deducted from Employees’ wages.
- The Debtor offers a voluntary group legal plan through LegalShield that gives access to expert legal help. The legal plan can assist when (a) buying, renting, or selling a home and need to have contracts, deeds, and purchase agreements reviewed; (b) creating wills and estate planning documents, or handling uncontested divorces, adoption, or child custody legal matters; and (c) handling an unexpected issue like a traffic ticket, credit issue, or a tax audit. Employees are responsible for payment of the monthly premiums, which are deducted from Employees’ wages.
- The Debtor also offers certain other voluntary plans: critical illness and accident insurance, pet insurance, identity theft insurance, and lifestyle spending account; and
- The Debtor offers commuter benefits and gives Employees the opportunity through Paylocity to set aside pre-tax dollars, up to \$315 per month, for eligible public transit.

56. The Debtor anticipates that any prepetition amounts owing in connection with the Miscellaneous Benefits are de minimis and hereby seek authority in the abundance of caution to pay up to \$250 on account of prepetition Miscellaneous Benefits costs owed and to continue to administer these and similar programs and pay amounts owed on account of the Miscellaneous Benefits postpetition in the ordinary course of business and in its discretion.

BASIS FOR RELIEF

I. SUFFICIENT CAUSE EXISTS TO AUTHORIZE THE DEBTOR TO HONOR THE EMPLOYEE COMPENSATION AND BENEFITS

A. Certain Employee Compensation and Benefits Are Entitled to Priority Treatment

57. Sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code entitle priority treatment to certain of the Employee Compensation and Benefits owed to the Employees. The Debtor is required to pay such priority claims in full to confirm a chapter 11 plan. *See* 11 U.S.C. § 1129(a)(9)(B) (requiring payment of certain allowed unsecured claims for (a) wages, salaries, or sick leave pay earned by an individual and (b) contributions to an employee benefit plan). Thus, granting the relief sought herein should only affect the timing of certain payments to the Employees and should not negatively affect recoveries for general unsecured creditors. Indeed, the Debtor submits that payment of the Employee Compensation and Benefits at this time enhances value for the benefit of all interested parties.

B. Payment of Certain Employee Compensation and Benefits Is Required by Law

58. The Debtor seeks authority to pay the applicable Withholding Obligations to the appropriate third-party entities. These amounts principally represent Employee earnings that governments, Employees, and judicial authorities have designated for deduction from the Employees' paychecks. Indeed, certain Withholding Obligations are not property of the Debtor's estate because the Debtor has withheld such amounts from the Employees' paychecks on another party's behalf. *See* 11 U.S.C. §§ 541(b)(1), (d). Further, federal and state laws require the Debtor to withhold certain tax payments from the Employees' paychecks and to pay such amounts to the appropriate taxing authority. 26 U.S.C. §§ 6672, 7501(a); *see also City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 95–97 (3d Cir. 1994) (finding that state law requiring a corporate debtor to withhold city income tax from its employees' wages created a trust relationship between debtor

and the city for payment of withheld income taxes); *DuCharmes & Co. v. Michigan (In re DuCharmes & Co.)*, 852 F.2d 194, 196 (6th Cir. 1988) (noting that individual officers of a company may be held personally liable for failure to pay trust fund taxes). Because the Withholding Obligations may not be property of the Debtor's estate, the Debtor requests that the Court authorize it to transmit the Withholding Obligations on account of the Employees to the proper parties in the ordinary course of business.

59. Similarly, state laws require the Debtor to maintain the Workers' Compensation Program. If the Debtor fails to maintain the Workers' Compensation Program, state laws may prohibit the Debtor from operating in those states. Payment of all workers' compensation amounts is therefore crucial to the Debtor's continued operations and the success of the Debtor's ongoing chapter 11 process.

**PAYMENT OF THE EMPLOYEE COMPENSATION AND
BENEFITS IS PROPER PURSUANT TO SECTION 363(B) OF THE
BANKRUPTCY CODE AND THE DOCTRINE OF NECESSITY**

60. Section 363(c)(1) of the Bankruptcy Code expressly grants the Debtor the authority to "enter into transactions . . . in the ordinary course of business" and "use property of the estate in the ordinary course of business without notice or a hearing." Therefore, the Debtor believes it is permitted to pay all postpetition amounts due pursuant to the Employee Compensation and Benefits as such actions are in the ordinary course of the Debtor's business. Out of an abundance of caution, however, the Debtor seeks entry of an order granting the relief requested herein to avoid any disruptions to its business operations.

61. The relief requested herein may be granted by the Court pursuant to sections 363(b) and 105(a) of the Bankruptcy Code. Section 363 of the Bankruptcy Code provides, in relevant part, that "[t]he [debtor], after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Under section 363(b),

courts require only that the debtor “show that a sound business purpose justifies such actions.” *Dai-Ichi Kangyo Bankr, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (D. Del. 1999) (internal citations omitted) (requiring that the debtor show a “sound business purpose” to justify its actions under section 363 of the Bankruptcy Code); *see also In re Phoenix Steel Corp.*, 82 B.R. 334, 335–36 (Bankr. D. Del. 1987). Moreover, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) (citation omitted); *see also Stanziale v. Nachtomi (In re Tower Air, Inc.)*, 416 F.3d 229, 238 (3d Cir. 2005) (stating that “[o]vercoming the presumptions of the business judgment rule on the merits is a near-Herculean task”).

62. In addition, the Court may authorize payment of prepetition claims in appropriate circumstances under section 105(a) of the Bankruptcy Code. Section 105(a) of the Bankruptcy Code, which codifies the inherent equitable powers of a bankruptcy court, empowers bankruptcy courts to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” The Court may use its power under section 105(a) of the Bankruptcy Code to authorize payment of the Employee Compensation and Benefits under the “necessity of payment” rule (also referred to as the “doctrine of necessity”).

63. The United States Court of Appeals for the Third Circuit recognized the “necessity of payment” doctrine in *In re Lehigh & New England Ry. Co.* 657 F.2d 570, 581 (3d Cir. 1981). The Third Circuit held that a court could authorize the payment of prepetition claims if such payment was essential to the continued operation of the debtor. *Id.* (stating a court may authorize

payment of prepetition claims when there “is the possibility that the creditor will employ an immediate economic sanction, failing such payment”).

64. The necessity of payment doctrine is designed to foster a debtor’s rehabilitation, which courts have recognized is “the paramount policy and goal of Chapter 11.” *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989); *see also In re Just for Feet, Inc.*, 242 B.R. 821, 826 (D. Del. 1999) (finding that payment of prepetition claims to certain trade vendors was “essential to the survival of the debtor during the chapter 11 reorganization”); *In re Quality Interiors, Inc.*, 127 B.R. 391, 396 (Bankr. N.D. Ohio 1991) (“[P]ayment by a debtor-in-possession of pre-petition claims outside of a confirmed plan of reorganization is generally prohibited by the Bankruptcy Code,” but “[a] general practice has developed . . . where bankruptcy courts permit the payment of certain pre-petition claims, pursuant to 11 U.S.C. § 105, where the debtor will be unable to reorganize without such payment.”); *In re Eagle-Picher Indus., Inc.*, 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) (approving payment of prepetition unsecured claims of toolmakers as “necessary to avert a serious threat to the Chapter 11 process”).

65. Payment of the Employee Compensation and Benefits is warranted under this authority and the facts of this Chapter 11 Case. The majority of the Employees rely exclusively on the Employee Compensation and Benefits to satisfy their daily living expenses. Consequently, Employees will be exposed to significant financial difficulties if the Debtor is not permitted to honor obligations for unpaid Employee Compensation and Benefits. Additionally, continuing ordinary course benefits will help maintain Employee morale and minimize the adverse effect of the commencement of this Chapter 11 Case on the Debtor’s ongoing business operations.

66. Moreover, Employees provide the Debtor with services necessary to conduct the Debtor’s business, and the Debtor believes that absent the payment of the Employee Compensation

and Benefits, the Debtor may experience turnover and instability at this critical time in this Chapter 11 Case. Given the highly skilled and technical workforce, particularly in the Debtor's research and development functions, it will be incredibly difficult to find replacement workers, risking disruption to the business. The Debtor believes that without these payments, the Employees may become demoralized and unproductive because of the potential significant financial strain and other hardships these Employees may face. Such Employees may then elect to seek alternative employment opportunities. Additionally, a significant portion of the value of the Debtor's business is tied to its workforce, which cannot be replaced without significant efforts—efforts that might not be successful given the overhang of this Chapter 11 Case. Enterprise value may be materially impaired to the detriment of all stakeholders in such a scenario. The Debtor therefore believes that payment of the prepetition obligations with respect to the Employee Compensation and Benefits is a necessary and critical element of the Debtor's efforts to preserve value and will give the Debtor the greatest likelihood of retention of its Employees as the Debtor seeks to operate its business in this Chapter 11 Case.

67. Indeed, courts in this district have recognized the importance of satisfying employee obligations in cases requesting relief similar to that requested here. *See, e.g., In re Amyris, Inc., et al.*, No. 23-11131 (TMH) (Bankr. D. Del. Sept. 8, 2023) (authorizing debtors to pay prepetition wages, salaries, other compensation, reimbursable employee expenses and to continue employee benefits programs on a final basis); *In re Clover Techs. Grp., LLC*, No. 19-12690 (KBO) (Bankr. D. Del. Jan. 21, 2020) (authorizing Debtors to pay prepetition wages, salaries, other compensation, and reimbursable expenses and to continue employee benefits programs on a final basis); *In re Anna Holdings, Inc.*, No. 19-12551 (CSS) (Bankr. D. Del. Dec. 3, 2019) (authorizing debtors to satisfy prepetition wages, compensation, and benefit obligations

to their employees and continue employee compensation and benefits programs in the ordinary course on an interim basis); *In re Destination Maternity Corp., et al.*, No. 19-12256 (BLS) (Bankr. D. Del. Nov. 12, 2019) (authorizing debtors to continue employee compensation and benefit programs and pay certain prepetition obligations related thereto on a postpetition basis on a final basis); *In re Forever 21, Inc.*, No. 19-12122 (KG) (Bankr. D. Del. Oct. 28, 2019) (same); *In re PES Holdings, LLC*, No. 19-11626 (KG) (Bankr. D. Del. July 22, 2019) (same).⁸ Accordingly, the Debtor respectfully requests that the Court authorize the Debtor to pay and continue the Employee Compensation and Benefits in the ordinary course of business and consistent with past practice.

**A LIMITED WAIVER OF THE AUTOMATIC STAY FOR
WORKERS' COMPENSATION CLAIMS IS APPROPRIATE HERE.**

68. Section 362(a)(1) of the Bankruptcy Code operates to stay:

[T]he commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title

Section 362 of the Bankruptcy Code, however, permits a debtor or other parties in interest to request a modification or termination of the automatic stay for “cause.” 11 U.S.C. § 362(d)(1).

69. The Debtor seeks authorization, under section 362(d) of the Bankruptcy Code, to permit its Employees to proceed with their claims against the Workers’ Compensation Program in the appropriate judicial or administrative forum. The Debtor believes that cause exists to modify the automatic stay because staying the Employee’s workers’ compensation claims could have a detrimental effect on the financial well-being and morale of the Employees and lead to the

⁸ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this motion. Copies of these orders are available upon request to the Debtor’s proposed counsel.

departure of certain Employees who are critical at this juncture. Such departures could cause a severe disruption in the Debtor's business to the detriment of all stakeholders. In addition, as noted above, if the Debtor fails to maintain the Workers' Compensation Program, state laws may prohibit the Debtor from operating in those states. Accordingly, the Debtor requests a limited waiver of the automatic stay for purposes of allowing the Debtor's Workers' Compensation Program to proceed.

**PROCESSING OF CHECKS AND ELECTRONIC
FUND TRANSFERS SHOULD BE AUTHORIZED**

70. The Debtor has sufficient funds to pay the amounts described in this motion in the ordinary course of business. Under the Debtor's existing cash management system, the Debtor has made arrangements to readily identify checks, wire transfer requests, or automated clearing house transfers with respect to authorized payments related to this motion, as applicable. Accordingly, the Debtor believes that checks, wire transfer requests, or automated clearing house transfers that are not related to authorized payments will not be honored inadvertently. Therefore, the Debtor respectfully requests that the Court authorize all applicable financial institutions, when requested by the Debtor, to receive, process, honor, and pay any and all checks, wire transfer requests, or automated clearing house transfers in respect of the relief requested in this motion.

THE REQUIREMENTS OF BANKRUPTCY RULE 6003 ARE SATISFIED

71. Bankruptcy Rule 6003 empowers a court to grant relief within the first twenty-one days after the Petition Date "to the extent that relief is necessary to avoid immediate and irreparable harm." Fed. R. Bankr. P. 6003. For the reasons discussed above, authorizing the Debtor to (a) pay prepetition wages, salaries, other compensation, and reimbursable employee expenses and (b) continue employee benefits programs in the ordinary course, including prepetition obligations

related thereto, and granting the other relief requested herein is integral to the Debtor's ability to transition its operations into this Chapter 11 Case and to maintain value of its estate postpetition. Failure to receive such authorization and other relief during the first twenty-one days of this Chapter 11 Case would severely disrupt the Debtor's operations at this critical juncture. For the reasons discussed herein, the relief requested is necessary in order for the Debtor to operate its business in the ordinary course, preserve the going concern value of the Debtor's operations, and maximize the value of its estate for the benefit of all stakeholders. Accordingly, the Debtor submits that it has satisfied the "immediate and irreparable harm" standard of Bankruptcy Rule 6003 to support granting the relief requested herein.

RESERVATION OF RIGHTS

72. Nothing contained in this motion or any actions taken by the Debtor pursuant to relief granted in the Interim Order and Final Order is intended or should be construed as: (a) an admission as to the validity, priority, or amount of any particular claim against the Debtor; (b) a waiver of the Debtor's or any other party-in-interest's rights to dispute any particular claim on any grounds; (c) a promise or requirement to pay any particular claim; (d) an implication or admission that any particular claim is of a type specified or defined in this motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the Debtor's or any other party-in-interest's rights under the Bankruptcy Code or any other applicable law; or (g) a concession by the Debtor or any other party-in-interest that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to this motion are valid and the Debtor and all other parties-in-interest expressly reserve their rights to contest the extent, validity, or perfection, or to seek avoidance of all such liens. If the Court grants the relief sought herein, any payment made pursuant to the Court's order is not

intended and should not be construed as an admission as to the validity, priority, or amount of any particular claim or a waiver of the Debtor's or any other party-in-interest's rights to subsequently dispute such claim.

WAIVER OF BANKRUPTCY RULE 6004(a) AND 6004(h)

73. To implement the foregoing successfully, the Debtor requests that the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtor has established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

NOTICE

74. The Debtor will provide notice of this Motion to: (a) the Office of the U.S. Trustee for the District of Delaware, 844 King Street, Suite 2207, Lock Box 35, Wilmington, Delaware, 19801; (b) the holders of the 20 largest unsecured claims against the Debtor; (c) counsel to the Prepetition Secured Lenders; (d) the United States Attorney's Office for the District of Delaware; (e) the state attorneys general for all states in which the Debtor conduct business; (f) the Securities Exchange Commission; and (g) any party that requests service pursuant to Bankruptcy Rule 2002. As this Motion is seeking "first day" relief, within two business days of the hearing on the Motion, the Debtor will serve copies of the Motion and any order entered in respect to this Motion as required by Local Rule 9013-1(m).

NO PRIOR REQUEST

75. No prior request for the relief sought in this motion has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtor respectfully requests entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B** respectively, (a) granting the relief requested herein and (b) granting such other relief as is just and proper.

Dated: October 11, 2024

PACHULSKI STANG ZIEHL & JONES LLP

/s/ James E. O'Neill

Debra I. Grassgreen, (*Pro Hac Vice* pending)

John W. Lucas, (*Pro Hac Vice* pending)

Malhar S. Pagay, (*Pro Hac Vice* pending)

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Proposed Counsel to the

Debtor and Debtor in Possession

EXHIBIT A

Proposed Interim Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRITSTONE BIO, INC.,¹

Debtor.

Chapter 11

Case No. 24-12305 (KBO)

Related Docket No.

**INTERIM ORDER (I) AUTHORIZING THE DEBTOR TO (A) PAY PREPETITION
EMPLOYEE WAGES, SALARIES, OTHER COMPENSATION,
AND REIMBURSABLE EMPLOYEE EXPENSES AND (B) CONTINUE
EMPLOYEE BENEFITS PROGRAMS AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtor and debtor in possession (the “Debtor”) for the entry of an interim order (this “Interim Order”): (a) authorizing the Debtor to (i) pay certain prepetition employee wages, salaries, other compensation, reimbursable employee expenses, and (ii) continue employee benefits programs in the ordinary course, including payment of certain prepetition obligations related thereto; (b) scheduling a final hearing to consider approval of the Motion on a final basis, and (c) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and upon the Debtor’s representation that the Debtor has sufficient funds to pay the amounts authorized to be paid on account of the Employee Compensation and Benefits; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that

¹ The Debtor’s mailing address is 4698 Willow Road, Pleasanton, CA 94588, and the last four digits of the Debtor’s federal tax identification number is 9534.

² A capitalized term used but not defined herein have the meaning ascribed to it in the Motion.

venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtor's estate, its creditors, and other parties in interest; and this Court having found that the Debtor's notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. The final hearing (the "Final Hearing") on the Motion shall be held on _____, 2024, at __:__.m., prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed with the Court and served so as to be received by the following parties, **by no later than 4:00 p.m., prevailing Eastern Time, on _____, 2024:**
 - (i) proposed counsel to the Debtor, Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801), Attn: James E. O'Neill (joneill@pszjlaw.com);
 - (ii) the Office of The United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801;
 - (iii) counsel to the Prepetition Secured Lender, Cole Schotz P.C., Court Plaza North, 25 Main Street, Hackensack, NJ 07601, Attn: Stuart Komrower (skomrower@coleschotz.com);
 - (iv) co-counsel to the Prepetition Secured Lender, Sheppard Mullin, Four Embarcadero Center, 17th Floor, San Francisco, CA 94111, Attn: Robert Sahyan

(rsahyan@sheppardmullin.com); and (v) counsel for any official committee of unsecured creditors appointed in the Chapter 11 Cases. In the event no objections to entry of the Final Order on the Motion are timely received, this Court may enter such Final Order without need for the Final Hearing.

3. The Debtor is authorized to: (a) continue, modify, change, and discontinue the Employee Compensation and Benefits in the ordinary course of business during this Chapter 11 Case and without the need for further Court approval, subject to applicable law, and (b) pay and honor prepetition amounts outstanding under or related to the Employee Compensation and Benefits Programs in the ordinary course of business, up to the amounts set forth in paragraph 4 of this Interim Order; *provided* that pending entry of the Final Order, the Debtor shall not honor any Employee Compensation and Benefits obligations that exceed the priority amounts set forth in sections 507(a)(4) or 507(a)(5) of the Bankruptcy Code. Nothing herein shall be deemed to authorize the payment of any amounts which violate, implicate, or otherwise are subject to section 503(c) of the Bankruptcy Code. The Debtor will seek approval of any insider bonus or incentive programs, if any, under separate motion under section 503(c) of the Bankruptcy Code.
4. Notwithstanding anything to the contrary herein, pending entry of the Final Order, the Debtor is authorized to pay, remit, or reimburse, as applicable, not more than an aggregate amount of \$1,297,296 for the following obligations:

Employee Obligation	Interim Amount
Unpaid Compensation	\$798,721
Withholding Obligations	\$28,634
Payroll Processing Fees	\$5,000
Independent Contractors	\$150,000
Reimbursable Expenses	\$30,000
Employee Compensation	\$1,012,355
Health Benefit Plans	\$196,257
Life and AD&D Insurance	\$40,434
401(k) Plan	\$48,000
Miscellaneous	\$250
Employee Benefits Programs	\$284,941
Total	\$1,297,296

5. Pursuant to section 362(d) of the Bankruptcy Code, Employees are authorized to proceed with their claims under the Workers' Compensation Program in the appropriate judicial or administrative forum and the Debtor is authorized to continue the Workers' Compensation Program in the ordinary course. This modification of the automatic stay pertains solely to claims under the Workers' Compensation Program.
6. The Debtor is authorized to forward any unpaid amounts on account of Deductions or Payroll Taxes to the appropriate third-party recipients or taxing authorities in accordance with the Debtor's prepetition policies and practices.
7. The Debtor is authorized to pay costs and expenses incidental to payment of the Employee Compensation and Benefits obligations, including all administrative and processing costs and payments to outside professionals.
8. The Debtor is authorized to terminate the employee stock purchase program (the "ESPP") and return the accumulated ESPP Deductions to Employees.

9. Nothing herein shall be deemed to authorize the payment of any amounts which violates or implicates section 503(c) of the Bankruptcy Code; *provided* that nothing herein shall prejudice the Debtor's ability to seek approval of relief pursuant to section 503(c) of the Bankruptcy Code at a later time.
10. Nothing contained in this Interim Order shall be construed to accelerate payments that are not otherwise due and payable.
11. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed: (a) an admission as to the validity, priority, or amount of any particular claim against the Debtor; (b) a waiver of the Debtor's or any other party-in-interest's right to dispute any particular claim on any grounds; (c) a promise or requirement to pay any particular claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Interim Order or the Motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the Debtor's or any other party-in-interest's rights under the Bankruptcy Code or any other applicable law; or (g) a concession by the Debtor or any other party-in-interest that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to this Interim Order are valid and the Debtor and all other parties-in-interest expressly reserve their rights to contest the extent, validity, or perfection or to seek avoidance of all such liens. Any payment made pursuant to this Interim Order should not be construed as an admission as to the validity, priority, or amount of any particular claim or a waiver of the Debtor's or any other party-in-interest's rights to subsequently dispute such claim.

12. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this Interim Order without any duty of further inquiry and without liability for following the Debtor's instructions.
13. The Debtor is authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of this Chapter 11 Case with respect to prepetition amounts owed in connection with any Employee Compensation and Benefits Programs.
14. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).
15. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.
16. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.
17. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.
18. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

EXHIBIT B

Proposed Final Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRITSTONE BIO, INC.,¹

Debtor.

Chapter 11

Case No. 24-12305 (KBO)

Related Docket No.

**FINAL ORDER (I) AUTHORIZING THE DEBTOR TO (A) PAY PREPETITION
EMPLOYEE WAGES, SALARIES, OTHER COMPENSATION,
AND REIMBURSABLE EMPLOYEE EXPENSES AND (B) CONTINUE
EMPLOYEE BENEFITS PROGRAMS AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtor and debtor in possession (the “Debtor”) for the entry of a final order (this “Final Order”): (a) authorizing the Debtor to (i) pay certain prepetition employee wages, salaries, other compensation, reimbursable employee expenses, and (ii) continue employee benefits programs in the ordinary course, including payment of certain prepetition obligations related thereto; and (b) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and upon the Debtor’s representation that the Debtor has sufficient funds to pay the amounts authorized to be paid on account of the Employee Compensation and Benefits; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and that this Court may enter a final order consistent with Article III of the United States Constitution; and this Court

¹ The Debtor’s mailing address is 4698 Willow Road, Pleasanton, CA 94588, and the last four digits of the Debtor’s federal tax identification number is 9534.

² A capitalized term used but not defined herein have the meaning ascribed to it in the Motion.

having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtor's estate, its creditors, and other parties in interest; and this Court having found that the Debtor's notice of the Motion and opportunity for a hearing on the Motion were appropriate and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED** on a final basis as set forth herein.
2. The Debtor is authorized to: (a) continue, modify, change, and discontinue the Employee Compensation and Benefits in the ordinary course of business during this Chapter 11 Case and without the need for further Court approval, subject to applicable law, and (b) pay and honor prepetition amounts outstanding under or related to the Employee Compensation and Benefits Programs in the ordinary course of business, up to the amounts set forth in paragraph 3 of this Final Order. Nothing herein shall be deemed to authorize the payment of any amounts which violate, implicate, or otherwise are subject to 503(c) of the Bankruptcy Code. The Debtor will seek approval of any insider bonus or incentive programs, if any, under separate motion under section 503(c) of the Bankruptcy Code.

3. Notwithstanding anything to the contrary herein, the Debtor is authorized to pay, remit, or reimburse, as applicable, not more than an aggregate amount of \$1,297,296 for the following obligations:

Employee Obligation	Final Amount
Unpaid Compensation	\$798,721
Withholding Obligations	\$28,634
Payroll Processing Fees	\$5,000
Independent Contractors	\$150,000
Reimbursable Expenses	\$30,000
Employee Compensation	\$1,012,355
Health Benefit Plans	\$196,257
Life and AD&D Insurance	\$40,434
401(k) Plan	\$48,000
Miscellaneous Benefits	\$250
Employee Benefits Programs	\$284,941
Total	\$1,297,296

4. Pursuant to section 362(d) of the Bankruptcy Code, Employees are authorized to proceed with their claims under the Workers' Compensation Program in the appropriate judicial or administrative forum and the Debtor is authorized to continue the Workers' Compensation Program in the ordinary course. This modification of the automatic stay pertains solely to claims under the Workers' Compensation Program.
5. The Debtor is authorized to forward any unpaid amounts on account of Deductions or Payroll Taxes to the appropriate third-party recipients or taxing authorities in accordance with the Debtor's prepetition policies and practices.
6. The Debtor is authorized to pay costs and expenses incidental to payment of the Employee Compensation and Benefits obligations, including all administrative and processing costs and payments to outside professionals.

7. The Debtor is authorized to terminate the employee stock purchase program (the “ESPP”) and return the accumulated ESPP Deductions to Employees.
8. Nothing herein shall be deemed to authorize the payment of any amounts which violates or implicates section 503(c) of the Bankruptcy Code; provided that nothing herein shall prejudice the Debtor’s ability to seek approval of relief pursuant to section 503(c) of the Bankruptcy Code at a later time.
9. Nothing contained in this Final Order shall be construed to accelerate payments that are not otherwise due and payable.
10. Notwithstanding the relief granted in this Final Order and any actions taken pursuant to such relief, nothing in this Final Order shall be deemed: (a) an admission as to the validity, priority, or amount of any particular claim against the Debtor; (b) a waiver of the Debtor’s or any other party-in-interest’s right to dispute any particular claim on any grounds; (c) a promise or requirement to pay any particular claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Final Order or the Motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the Debtor’s or any other party-in-interest’s rights under the Bankruptcy Code or any other applicable law; or (g) a concession by the Debtor or any other party-in-interest that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to this Final Order are valid and the Debtor and all other parties-in-interest expressly reserve their rights to contest the extent, validity, or perfection or to seek avoidance of all such liens. Any payment made pursuant to this Final Order should not be construed as an admission as to the validity, priority, or amount

of any particular claim or a waiver of the Debtor's or any other party-in-interest's rights to subsequently dispute such claim.

11. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this Final Order without any duty of further inquiry and without liability for following the Debtor's instructions.
12. The Debtor is authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of this Chapter 11 Case with respect to prepetition amounts owed in connection with any Employee Compensation and Benefits Programs.
13. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.
14. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry.
15. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.
16. This Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement.