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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 0-29889

Rigel Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**94-3248524**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1180 Veterans Blvd. South San Francisco, CA (Address of principal executive offices)	**94080** (Zip Code)

(650) 624-1100
(Registrant's telephone number, including area code)

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

Title of each class:	**Trading Symbol**	**Name of each exchange on which registered:**
Common Stock, par value $0.001 per share	RIGL	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of April 30, 2021, there were 170,164,333 shares of the registrant's Common Stock outstanding.

RIGEL PHARMACEUTICALS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2021

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RIGEL PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS
(In thousands)

	March 31, 2021 (unaudited)	December 31, 2020(1)
Assets		
Current assets:		
Cash and cash equivalents	$ 20,047	$ 30,373
Short-term investments	19,298	26,954
Accounts receivable, net	142,195	15,973
Inventories	6,947	1,638
Prepaid and other current assets	8,271	14,045
Total current assets	196,758	88,983
Property and equipment, net	2,498	2,676
Operating lease right-of-use asset	15,919	17,895
Other assets	818	824
	$ 215,993	$ 110,378
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 5,095	$ 3,707
Accrued compensation	6,595	9,592
Accrued research and development	5,368	4,889
Other accrued liabilities	11,075	11,014
Lease liabilities, current portion	8,917	8,621
Deferred revenue, current portion	9,500	3,018
Other long-term liabilities, current portion	5,472	—
Total current liabilities	52,022	40,841
Long-term portion of lease liabilities	8,296	10,651
Loans payable, net of discount	19,844	19,815
Other long-term liabilities	57,533	5,045
Commitments		
Stockholders' equity:		
Preferred stock	—	—
Common stock	170	169
Additional paid-in capital	1,344,601	1,339,833
Accumulated other comprehensive loss	(1)	(4)
Accumulated deficit	(1,266,472)	(1,305,972)
Total stockholders' equity	78,298	34,026
	$ 215,993	$ 110,378

(1) The balance sheet as of December 31, 2020 has been derived from the audited financial statements included in Rigel's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 2, 2021.

See Accompanying Notes to Condensed Financial Statements.

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Product sales, net	$ 12,376	$ 12,680
Contract revenues from collaborations	65,642	43,081
Government contract	3,000	—
Total revenues	81,018	55,761
Costs and expenses:		
Cost of product sales	316	155
Research and development	16,826	16,149
Selling, general and administrative	22,121	18,430
Total costs and expenses	39,263	34,734
Income from operations	41,755	21,027
Interest income	1	358
Interest expense	(485)	(142)
Income before income taxes	41,271	21,243
Provision for income taxes	1,771	—
Net income	$ 39,500	$ 21,243
Net income per share		
Basic	$ 0.23	$ 0.13
Diluted	$ 0.22	$ 0.13
Weighted average shares used in computing net income per share		
Basic	169,800	168,469
Diluted	176,069	168,568

See Accompanying Notes to Condensed Financial Statements

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Net income	$ 39,500	$ 21,243
Other comprehensive income:		
Net unrealized gain on short-term investments	3	55
Comprehensive income	$ 39,503	$ 21,298

See Accompanying Notes to Condensed Financial Statements

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2021	169,316,782	$ 169	$ 1,339,833	$ (4)	$ (1,305,972)	$ 34,026
Net income	—	—	—	—	39,500	39,500
Net unrealized gain on short-term investments	—	—	—	3	—	3
Issuance of common stock upon exercise of options	813,854	1	2,096	—	—	2,097
Stock compensation expense	—	—	2,672	—	—	2,672
Balance at March 31, 2021	170,130,636	$ 170	$ 1,344,601	$ (1)	$ (1,266,472)	$ 78,298

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2020	167,987,850	$ 168	$ 1,329,852	$ 23	$ (1,276,228)	$ 53,815
Net income	—	—	—	—	21,243	21,243
Net unrealized gain on short-term investments	—	—	—	55	—	55
Issuance of common stock upon exercise of options	581,675	1	1,335	—	—	1,336
Stock compensation expense	—	—	2,050	—	—	2,050
Balance at March 31, 2020	168,569,525	$ 169	$ 1,333,237	$ 78	$ (1,254,985)	$ 78,499

See Accompanying Notes to Condensed Financial Statements

RIGEL PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Operating activities		
Net income	$ 39,500	$ 21,243
Adjustments to reconcile net income to net cash used in operating activities:		
Stock-based compensation expense	2,639	2,024
Depreciation and amortization	239	171
Non-cash interest expense	60	—
Net amortization and accretion of discount on short-term investments and term loan	85	(138)
Changes in assets and liabilities:		
Accounts receivable, net	(126,222)	451
Inventories	(5,272)	(242)
Prepaid and other current assets	5,774	338
Other assets	6	35
Right-of-use assets	1,976	1,934
Accounts payable	1,394	(1,945)
Accrued compensation	(2,997)	(3,312)
Accrued research and development	479	735
Other accrued liabilities	61	209
Lease liability	(2,059)	(1,417)
Deferred revenue	6,482	(23,081)
Other current and long-term liabilities	57,900	(98)
Net cash used in operating activities	(19,955)	(3,093)
Investing activities		
Purchases of short-term investments	(4,297)	(13,352)
Maturities of short-term investments	11,900	38,420
Capital expenditures	(71)	(607)
Net cash provided by investing activities	7,532	24,461
Financing activities		
Net proceeds from issuances of common stock upon exercise of options	2,097	1,336
Net cash provided by financing activities	2,097	1,336
Net (decrease) increase in cash and cash equivalents	(10,326)	22,704
Cash and cash equivalents at beginning of period	30,373	22,521
Cash and cash equivalents at end of period	$ 20,047	$ 45,225
Supplemental disclosure of cash flow information		
Interest paid	$ 358	$ 203

See Accompanying Notes to Condensed Financial Statements

Rigel Pharmaceuticals, Inc.
Notes to Condensed Financial Statements
(unaudited)

In this report, "Rigel," "we," "us" and "our" refer to Rigel Pharmaceuticals, Inc.

1. Nature of Operations

We are a biotechnology company dedicated to discovering, developing and providing novel small molecule drugs that significantly improve the lives of patients with hematologic disorders, cancer and rare immune diseases. Our pioneering research focuses on signaling pathways that are critical to disease mechanisms. Our first product approved by the United States Food and Drug Administration (FDA) is TAVALISSE® (fostamatinib disodium hexahydrate) tablets, the only approved oral spleen tyrosine kinase (SYK) inhibitor, for the treatment of adult patients with chronic immune thrombocytopenia (ITP) who have had an insufficient response to a previous treatment. The product is also commercially available in Europe (TAVLESSE) and Canada (TAVALISSE) for the treatment of chronic immune thrombocytopenia in adult patients.

Fostamatinib is currently being studied in a Phase 3 trial for the treatment of warm autoimmune hemolytic anemia (wAIHA); a Phase 3 clinical trial for the treatment of hospitalized patients with COVID-19, a National Institutes of Health (NIH)/National Heart, Lung, and Blood Institute (NHLBI)-sponsored Phase 2 trial for the treatment of hospitalized patients with COVID-19, in collaboration with Inova Health System; and a Phase 2 trial for the treatment of COVID-19 being conducted by Imperial College London.

Our other clinical programs include our interleukin receptor-associated kinase (IRAK) inhibitor program and a receptor-interacting serine/threonine-protein kinase (RIP1) inhibitor program in clinical development with partner Eli Lilly and Company (Lilly). In addition, we have product candidates in clinical development with partners AstraZeneca AB (AZ), BerGenBio ASA (BerGenBio) and Daiichi Sankyo (Daiichi).

2. Basis of Presentation

Our accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Act of 1933, as amended (Securities Act). Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed financial statements include only normal and recurring adjustments that we believe are necessary to fairly state our financial position and the results of our operations and cash flows. Interim-period results are not necessarily indicative of results of operations or cash flows for a full-year or any subsequent interim period. The balance sheet as of December 31, 2020 has been derived from audited financial statements at that date but does not include all disclosures required by U.S. GAAP for complete financial statements. Because certain disclosures required by U.S. GAAP for complete financial statements are not included herein, these interim unaudited condensed financial statements and the notes accompanying them should be read in conjunction with our audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from these estimates.

3. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncement

In December 2019, the Financial Accounting Standards Board (FASB) issued ASU No. 2019-12,*Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing variety of exceptions within the framework of ASC 740. There were nine amendments in the ASU, such as the elimination of the incremental approach to intraperiod tax allocation, recognition of deferred tax liability for outside basis differences, changes to the accounting of hybrid tax regimes, amendments to the accounting of tax basis step-up in goodwill, clarification on separate financial statements of legal entities not subject to tax, guidance on the accounting for ownership changes in investments, and guidance on interim-period accounting for tax law changes and year-to-date loss limitations. The guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. We adopted this new guidance effective in the first quarter of 2021 with no material impact on our financial statements and disclosures.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. We determine the cost of inventories using the standard cost method, which approximates actual cost based on a first-in, first out basis. Inventories consist primarily of third-party manufacturing costs and allocated internal overhead costs. We began capitalizing inventory costs associated with our product upon regulatory approval when, based on management's judgment, future commercialization was considered probable and the future economic benefit was expected to be realized.

Prior to FDA approval of TAVALISSE, all manufacturing costs were charged to research and development expense in the period incurred. As of March 31, 2021 and December 31, 2020, our physical inventory included active pharmaceutical product for which costs have been previously charged to research and development expense. However, manufacturing of drug product, finished bottling and other labeling activities that occurred post FDA approval are included in the inventory value at each balance sheet date.

We provide reserves for potential excess, dated or obsolete inventories based on an analysis of forecasted demand compared to quantities on hand and any firm purchase orders, as well as product shelf life.

Cost of Product Sales

Cost of product sales consists of third-party manufacturing costs, transportation and freight, and indirect overhead costs associated with the manufacture and distribution of TAVALISSE. A portion of the cost of producing the product sold to date was expensed as research and development prior to the Company's New Drug Application (NDA) approval for TAVALISSE and therefore is not included in the cost of product sales during this period.

Accounts Receivable

Accounts receivable are recorded net of customer allowances for prompt payment discounts and any allowance for doubtful accounts. We estimate the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of our customers and individual customer circumstances. As of March 31, 2021 and December 31, 2020, customer allowance for prompt payment discounts were $105,000 and $171,000, respectively. To date, we have determined that an allowance for doubtful accounts is not required.

Revenue Recognition

We recognize revenue in accordance with ASC Topic 606,*Revenue From Contracts with Customers (ASC 606)*, when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine whether arrangements are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation. We apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of this new guidance, we assess the goods or services promised within each contract and identify, as a performance obligation, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Product Sales

Revenues from product sales are recognized when the specialty distributors (SDs), who are our customers, obtain control of our product, which occurs at a point in time, upon delivery to such SDs. These SDs subsequently resell our products to specialty pharmacy providers, health care providers, hospitals and clinics. In addition to distribution agreements with these SDs, we also enter into arrangements with specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of our products.

Under ASC 606, we are required to estimate the transaction price, including variable consideration that is subject to a constraint, in our contracts with our customers. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Revenue from product sales are recorded net of certain variable consideration which includes estimated government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions.

Provisions for returns and other adjustments are provided for in the period the related revenue is recorded. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our estimates, we will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

The following are our significant categories of sales discounts and allowances:

Sales Discounts. We provide our customers prompt payment discounts that are explicitly stated in our contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized.

Product Returns. We offer our SDs a right to return product purchased directly from us, which is principally based upon the product's expiration date. Product return allowances are estimated and recorded at the time of sale.

Government Rebates: We are subject to discount obligations under the state Medicaid programs and Medicare prescription drug coverage gap program. We estimate our Medicaid and Medicare prescription drug coverage gap rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability that is included as part of Other Accrued Liabilities account in the Balance Sheet. Our liability for these rebates consists primarily of estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period.

Chargebacks and Discounts: Chargebacks for fees and discounts represent the estimated obligations resulting from contractual commitments to sell products to certain specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities at prices lower than the list prices charged to our SDs who directly purchase the product from us. These SDs charge us for the difference between what they pay for the product and our contracted selling price to these specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue. Actual chargeback amounts are generally determined at the time of resale to the specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities by our SDs. The estimated obligations arising from these chargebacks and discounts are included as part of Other Accrued Liabilities in the balance sheet.

Co-Payment Assistance: We offer co-payment assistance to commercially insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that we expect to receive associated with product that has been recognized as revenue.

Contract Revenues from Collaborations

In the normal course of business, we conduct research and development programs independently and in connection with our corporate collaborators, pursuant to which we license certain rights to our intellectual property to third parties. The terms of these arrangements typically include payment to us for a combination of one or more of the following: upfront license fees; development, regulatory and commercial milestone payments; product supply services; and royalties on net sales of licensed products.

Upfront License Fees: If the license to our intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, we recognize revenues from upfront license fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, we determine whether the combined performance obligation is satisfied over time or at a point in time. If the combined performance obligation is satisfied over time, we use judgment in determining the appropriate method of measuring progress for purposes of recognizing revenue from the up-front license fees. We evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

For arrangements that require us to share in the development costs but to which we do not participate in the co-development work, the portion of the upfront fee attributed to our share in the future development costs is excluded from the transaction price. If such share in the development costs is payable beyond 12 months from the delivery of the corresponding license, a significant financing component is deemed to exist. If a significant financing component is identified, we adjust the transaction price by reducing the upfront fee by the net present value of our share in future development costs over the expected commitment period. Such discounted amount will be reported as a liability in the balance sheet, with a corresponding interest expense being accreted based on a discount rate applied over the expected commitment period.

Development, Regulatory or Commercial Milestone Payments: At the inception of each arrangement that includes payments based on the achievement of certain development, regulatory and commercial or launch events, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our or the licensee's control, such as regulatory approvals, are not considered probable of being achieved until uncertainty associated with the approvals has been resolved. The transaction price is then allocated to each performance obligation, on a relative standalone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, we re-evaluate the probability of achieving such development and regulatory milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, and recorded as part of contract revenues from collaborations during the period of adjustment.

Product Supply Services: Arrangements that include a promise for future supply of drug product for either clinical development or commercial supply at the licensee's discretion are generally considered as options. We assess if these options provide a material right to the licensee and if so, they are accounted for as separate performance obligations.

Sales-based Milestone Payments and Royalties: For arrangements that include sales-based royalties, including milestone payments based on the volume of sales, we determine whether the license is deemed to be the predominant item to which the royalties or sales-based milestones relate to and if such is the case, we recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Government Contract

As described in Note 8 below, in January 2021, we were awarded up to $16.5 million by the U.S. Department of Defense's Joint Program Executive Office for Chemical, Biological, Radiological and Nuclear Defense (referred here as U.S. Department of Defense) to support our ongoing Phase 3 clinical trial to evaluate the safety and efficacy of fostamatinib in hospitalized COVID-19 patients. We determined that the government award should be accounted for under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* which is outside the scope of Topic 606, as the U.S. Department of Defense is not receiving reciprocal value for their contributions. Revenue is recognized when there is reasonable assurance that the conditions of the grant will be met, and the grant will be received. For the U.S. Department of Defense's contract, this occurs when either each milestone has been accepted by Department of Defense or management has concluded that the conditions of the grant have been substantially met.

Leases

We currently lease our research and office space under a noncancelable lease agreement with our landlord through January 2023. In December 2014, we entered into a sublease agreement with an unrelated third party to occupy a portion of our research and office space through January 2023.

All of our leases outstanding as March 31, 2021 continued to be classified as operating leases. We recorded an operating lease right-of-use asset and an operating lease liability on our balance sheet. Right-of-use lease assets represent our right to use the underlying asset for the lease term and the lease obligation represents our commitment to make the lease payments arising from the lease. Right-of-use lease assets and obligations are recognized at the commencement date based on the present value of remaining lease payments over the lease term. As our lease does not provide an implicit rate, we have used an estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease right-of-use asset includes any lease payments made prior to commencement. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as common area costs and property taxes are expensed as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

For our sublease agreement wherein we are the lessor, sublease income will be recognized on a straight-line basis over the term of the sublease. The difference between the cash received, and the straight-line lease income recognized, if any, will be recorded as part of prepaid and other current assets in the balance sheet.

Research and Development Accruals

We have various contracts with third parties related to our research and development activities. Costs that are incurred but not billed to us as of the end of the period are accrued. We make estimates of the amounts incurred in each period based on the information available to us and our knowledge of the nature of the contractual activities generating such costs. Clinical trial contract expenses are accrued based on units of activity. Expenses related to other research and development contracts, such as research contracts, toxicology study contracts and manufacturing contracts are estimated to be incurred generally on a straight-line basis over the duration of the contracts. Raw materials and study materials not related to our approved drug, purchased for us by third parties are expensed at the time of purchase.

Income Taxes

Income taxes have been provided using the liability method whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and net operating loss and tax credit carryforwards measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse or the carryforwards are utilized. Valuation allowances are established when it is determined that it is more likely than not that such assets will not be realized.

We account for uncertain tax positions consistent with authoritative guidance. The guidance prescribes a "more likely than not" recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We do not expect any material change in our unrecognized tax benefits over the next twelve months. We recognize interest and penalties related to unrecognized tax benefits as a component of income taxes.

4. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period and the number of additional shares of common stock that would have been outstanding if potentially dilutive securities had been issued. Potentially dilutive securities include stock options, restricted stock units and shares issuable under our stock award plans. The dilutive effect of these potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of our common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per share (in thousands except per share amounts):

	Three Months Ended March 31,	
	2021	2020
EPS Numerator:		
Net income	$ 39,500	$ 21,243
EPS Denominator—Basic:		
Weighted-average common shares outstanding	169,800	168,469
EPS Denominator—Diluted:		
Weighted-average common shares outstanding	169,800	168,469
Dilutive effect of stock options, restricted stock units and shares under ESPP	6,269	99
Weighted-average shares outstanding and common stock equivalents	176,069	168,568
Net income per common share, basic and diluted		
Basic	$ 0.23	$ 0.13
Diluted	$ 0.22	$ 0.13

The potential shares of common stock that were excluded from the computation of diluted net income per share for the periods presented because including them would have been antidilutive are as follows: (in thousands):

	Three Months Ended March 31,	
	2021	2020
Outstanding stock options	8,183	23,206
Restricted stock units	2	—
Total	8,185	23,206

5. Stock Award Plans

On May 16, 2018, our stockholders approved the adoption of the Company's 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan is the successor plan to the 2011 Equity Incentive Plan, the 2000 Equity Incentive Plan, and the 2000 Non-Employee Directors' Stock Option Plan.

We have two equity plans, our 2018 Plan and the Inducement Plan (collectively, the Equity Incentive Plans), that provide for granting of stock awards to our officers, directors and all other employees and consultants. To date, we granted stock options and restricted stock units under our equity incentive plans. We also have our Employee Stock Purchase Plan (Purchase Plan), wherein eligible employees can purchase shares of our common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model which considered our stock price, as well as assumptions regarding a number of complex and subjective variables. The fair value of the restricted stock unit grant is based on the market price of our common stock on the date of grant. We use the straight-line attribution method over the requisite employee service period for the entire award in recognizing stock-based compensation expense. We account for forfeitures as they occur.

We granted performance-based stock options to purchase shares of our common stock which will vest upon the achievement of certain corporate performance-based milestones. We determined the fair values of these performance-based stock options using the Black-Scholes option pricing model at the date of grant. For the portion of the performance-based stock options of which the performance condition is considered probable of achievement, we recognize stock-based compensation expense on the related estimated grant date fair values of such options on a straight-line basis from the date of grant up to the date when we expect the performance condition will be achieved. For the performance conditions that are not considered probable of achievement at the grant date or upon quarterly re-evaluation, prior to the event actually occurring, we recognize the related stock-based compensation expense when the event occurs or when we can determine that the performance condition is probable of achievement. In those cases, we recognize the change in estimate at the time we determine the condition is probable of achievement (by recognizing stock-based compensation expense as cumulative catch-up adjustment as if we had estimated at the grant date that the performance condition would have been achieved) and recognize the remaining compensation cost up to the date when we expect the performance condition will be achieved, if any.

6. Stock-Based Compensation

Total stock-based compensation related to all of our share-based payments that we recognized for the three months ended March 31, 2021 and 2020 were as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Selling, general and administrative	$ 2,053	$ 1,330
Research and development	586	694
Total stock-based compensation expense	$ 2,639	$ 2,024

During the three months ended March 31, 2021, we granted options to purchase5,339,981 shares of common stock with a grant-date weighted-average fair value of $2.32 per share, and 813,854 options to purchase shares were exercised.As of March 31, 2021, total stock options outstanding was 30,902,155 shares, of which, 2,018,125 shares outstanding are performance-based stock options wherein the achievement of the corresponding corporate-based milestones was not considered as probable. Accordingly, the related grant date fair value for these performance-based stock options of $4.2 million has not been recognized as stock-based compensation expense as of March 31, 2021. The exercise price of stock options granted under our stock plans is equal to the fair market value of the underlying shares on the date of grant. Options become exercisable at varying dates and generally expire 10 years from the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. We have segregated option awards into the following three homogenous groups for the purposes of determining fair values of options: officers and directors, all other employees, and consultants. We account for forfeitures as they occur.

We determined weighted-average valuation assumptions separately for each of these groups as follows:

- Volatility—We estimated volatility using our historical share price performance over the expected life of the option. We also considered other factors, such as implied volatility, our current clinical trials and other company activities that may affect the volatility of our stock in the future. We determined that at this time historical volatility is more indicative of our expected future stock performance than implied volatility.
- Expected term—For options granted to consultants, we use the contractual term of the option, which is generallyten years, for the initial valuation of the option and the remaining contractual term of the option for the succeeding periods. We analyzed various historical data to determine the applicable expected term for each of the other option groups. This data included: (1) for exercised options, the term of the options from option grant date to exercise date; (2) for cancelled options, the term of the options from option grant date to cancellation date, excluding non-vested option forfeitures; and (3) for options that remained outstanding at the balance sheet date, the term of the options from option grant date to the end of the reporting period and the estimated remaining term of the options. The consideration and calculation of the above data gave us reasonable estimates of the expected term for each employee group. We also considered the vesting schedules of the options granted and factors surrounding exercise behavior of the option groups, our current market price and company activity that may affect our market price. In addition, we considered the optionee type (i.e., officers and directors or all other employees) and other factors that may affect the expected term of the options.
- Risk-free interest rate—The risk-free interest rate is based on U.S. Treasury constant maturity rates with similar terms to the expected term of the options for each option group.
- Dividend yield—The expected dividend yield is0% as we have not paid and do not expect to pay dividends in the future.

The following table summarizes the weighted-average assumptions relating to options granted pursuant to our equity incentive plans for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
Risk-free interest rate	1.0 %	1.3 %
Expected term (in years)	6.5	6.5
Dividend yield	0.0 %	0.0 %
Expected volatility	70.6 %	65.4 %

During the three months ended March 31, 2021, we granted52,000 restricted stock units with grant-date weighted-average fair value of $3.77 per share, and vests over 2 years.

As of March 31, 2021, there were approximately$18.2 million of unrecognized stock-based compensation cost which is expected to be recognized over the remaining weighted-average period of 2.37 years, related to time-based stock options, RSUs and performance-based stock options, wherein achievement of the corresponding corporate-based milestones was considered as probable.

As of March 31, 2021, there were9,702,519 shares of common stock available for future grant under our equity incentive plans. In January 2021, our Compensation Committee approved the 825,000 shares increase in available number of shares for future grant under our 2018 Plan, contingent and effective upon approval by our stockholders at the annual meeting in May 2021.

Employee Stock Purchase Plan

Our Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. The price at which the stock is purchased is equal to the lesser of 85% of the fair market value of our common stock on the first day of the offering or 85% of the fair market value of our common stock on the purchase date.

The fair value of awards granted under our Purchase Plan is estimated on the date of grantusing the Black-Scholes option pricing model, which uses weighted-average assumptions. Our Purchase Plan provides for a twenty-four-month offering period comprised of four six-month purchase periods with a look-back option. A look-back option is a provision in our Purchase Plan under which eligible employees can purchase shares of our common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date.Our Purchase Plan also includes a feature that provides for a new offering period to begin when the fair market value of our common stock on any purchase date during an offering period falls below the fair market value of our common stock on the first day of such offering period. This feature is called a "reset." Participants are automatically enrolled in the new offering period.

We had a "reset" in January 2020 because the fair market value of our stock on December 31, 2019 was lower than the fair market value of our stock on January 1, 2019, the first day of the offering period. Following the "reset" in January 2020, January 1, 2020 was the new first day of the two-year offering period of our ESPP program. We applied modification accounting in accordance with the relevant accounting guidance. The total incremental fair value associated with this "reset" was approximately $753,000 and is being recognized as expense from January 1, 2020 to December 31, 2021. In July 2020, we had another "reset" because the fair market value of our stock on June 30, 2020 was lower than the fair market value of our stock on January 1, 2020. Following the "reset" in July 2020, July 1, 2020 is the new start date of our two-year offering period of our ESPP program. We applied modification accounting in accordance with the relevant accounting guidance. The total incremental fair value associated with this "reset" was approximately $535,000 and is being amortized to expenses from July 1, 2020 to June 30, 2022.

As of March 31, 2021, there wereno shares reserved for future issuance under the Purchase Plan. In January 2021, our Compensation Committee approved the 5,500,000 shares increase in the maximum number of shares authorized for issuance under the Purchase Plan, contingent and effective upon approval by our stockholders at the annual meeting in May 2021. As of March 31, 2021, unrecognized stock-based compensation cost related to our Purchase Plan amounted to $455,000, which is expected to be recognized over the remaining weighted average period of 0.74 years.

7. Revenues

Revenues disaggregated by category were as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Product sales:		
Gross product sales	$ 16,109	$ 15,371
Discounts and allowances	(3,733)	(2,691)
Total product sales, net	12,376	12,680
Revenues from collaborations:		
License revenues	64,618	39,858
Research and development services and others	1,024	3,223
Total revenues from collaborations	65,642	43,081
Government contract	3,000	—
Total revenues	$ 81,018	$ 55,761

The following table summarizes the percentages of revenues from each of our customers who individually accounted for 10% or more (wherein * denotes less than 10%) of the total net product sales and revenues from collaborations:

	March 31,	
	2021	2020
Lilly	78%	—
Grifols	*	77%
ASD Healthcare and Oncology Supply	*	12%

Our first and only FDA approved product, TAVALISSE®, was approved by the U.S. FDA in April 2018. We commenced commercial sale of TAVALISSE in the U.S. in May 2018. Fostamatinib is marketed in Europe under the brand name TAVLESSE™ (fostamatinib). Grifols launched TAVLESSE in the UK and Germany in July 2020, and thereafter expects a phased roll-out-out over the next 18 months across Europe. In December 2020, the Scottish Medicines Consortium accepted TAVLESSE for use in NHS in Scotland.

In addition to the distribution agreements with our customers and SDs, we also enter into arrangements with specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of our products which reduced our gross product sales. Also refer to Revenue Recognition policy discussion in “Note 3” above.

The following table summarizes activity in each of the product revenue allowance and reserve categories for the three months ended March 31, 2021 and 2020 (in thousands):

	Chargebacks, Discounts and Fees	Government and Other Rebates	Returns	Total
Balance at January 1, 2021	$ 2,461	$ 2,115	$ 1,489	$ 6,065
Provision related to current period sales	1,952	1,146	201	3,299
Credit or payments made during the period	(2,727)	(988)	(243)	(3,958)
Balance at March 31, 2021	$ 1,686	$ 2,273	$ 1,447	$ 5,406

	Chargebacks, Discounts and Fees	Government and Other Rebates	Returns	Total
Balance at January 1, 2020	$ 1,293	$ 1,801	$ 238	$ 3,332
Provision related to current period sales	1,487	745	—	2,232
Credit or payments made during the period	(1,324)	(627)	(58)	(2,009)
Balance at March 31, 2020	$ 1,456	$ 1,919	$ 180	$ 3,555

Of the $3.7 million discounts and allowances from gross product sales for the three months ended March 31, 2021, $3.3 million was accounted for as additions to other accrued liabilities and $434,000 as reductions in accounts receivable and prepaid and other current assets in the balance sheet. Other accrued liabilities related to the discounts and allowances had a remaining outstanding balance of $5.4 million as of March 31, 2021.

Of the $2.7 million discounts and allowances from gross product sales for the three months ended March 31, 2020, $2.2 million was accounted for as additions to other accrued liabilities and $467,000 as reductions in accounts receivable and prepaid and other current assets in the balance sheet. Other accrued liabilities related to the discounts and allowances had a remaining outstanding balance of $3.5 million as of March 31, 2020.

8. Sponsored Research and License Agreements and Government Contract

Sponsored Research and License Agreements

We conduct research and development programs independently and in connection with our corporate collaborators. As of March 31, 2021, we are a party to collaboration agreements with ongoing performance obligations with Eli Lilly (Lilly) to develop and commercialize R552, a receptor-interacting serine/threonine-protein kinase 1 (RIP1) inhibitor, for the treatment of non-central nervous system (non-CNS) diseases and collaboration aimed at developing additional RIP1 inhibitors for the treatment of central nervous system (CNS) diseases; with Grifols, S.A. (Grifols) to commercialize fostamatinib in all indications, including chronic immune thrombocytopenic purpura (ITP) and autoimmune hemolytic anemia (AIHA), in Europe and Turkey; with Kissei Pharmaceutical Co., Ltd. (Kissei) for the development and commercialization of fostamatinib in Japan, China, Taiwan and the Republic of Korea; and with Medison Pharma Trading AG and Medison Pharma Ltd. (collectively, Medison) to commercialize fostamatinib in all indications, including chronic ITP and AIHA, in Canada and Israel, respectively.

Further, we are also a party to collaboration agreements, but do not have ongoing performance obligations, with AZ for the development and commercialization of R256, an inhaled JAK inhibitor; with BerGenBio for the development and commercialization of AXL inhibitors in oncology; and with Daiichi to pursue research related to MDM2 inhibitors, a novel class of drug targets called ligases. We had a collaboration agreement with Aclaris for the development and commercialization of JAK inhibitors for the treatment of alopecia areata and other dermatological conditions. Our collaboration agreement with Aclaris was terminated effective April 30, 2021.

Under these agreements, which we entered into in the ordinary course of business, we received or may be entitled to receive upfront cash payments, payments contingent upon specified events achieved by such partners and royalties on any net sales of products sold by such partners under the agreements. Total future contingent payments to us under all of these agreements could exceed $1.5 billion if all potential product candidates achieved all of the payment triggering events under all of our current agreements (based on a single product candidate under each agreement). Of this amount, $437.5 million relates to the achievement of development events, $313.7 million relates to the achievement of regulatory events and $816.0 million relates to the achievement of certain commercial or launch events. This estimated future contingent amount does not include any estimated royalties that could be due to us if the partners successfully commercialize any of the licensed products. Future events that may trigger payments to us under the agreements are based solely on our partners' future efforts and achievements of specified development, regulatory and/or commercial events.

Global Exclusive License Agreement with Eli Lilly

On February 18, 2021, we entered into a global exclusive license agreement and strategic collaboration with Lilly, which became effective on March 27, 2021, to develop and commercialize R552, a receptor-interacting serine/threonine-protein kinase 1 (RIP1) inhibitor, for the treatment of non-CNS diseases. In addition, the collaboration is aimed at developing additional RIP1 inhibitors for the treatment of CNS diseases. Pursuant to the terms of the license agreement, we granted to Lilly exclusive rights to develop and commercialize R552 and related RIP1 inhibitors in all indications worldwide. The agreement became effective in March 2021 upon clearance under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976. The parties' collaboration is governed through a joint governance committee and appropriate subcommittees.

We are responsible for 20% of development costs for R552 in the U.S., Europe, and Japan, up to a specified cap. Lilly is responsible for funding the remainder of all development activities for R552 and other non-CNS disease development candidates. We have the right to opt-out of co-funding the R552 development activities in the U.S., Europe and Japan at two different specified times. If we exercise our first opt-out right (no later than September 30, 2023), we will continue to fund our share of the R552 development activities in the U.S., Europe, and Japan up to a maximum funding commitment of $65.0 million through April 1, 2024. If we decide not to exercise our opt-out rights, we will be required to share in global development costs of up to certain amounts at a specified cap, as provided for in the agreement.

We are responsible for performing and funding initial discovery and identification of CNS disease development candidates, which is expected to be completed by the end of fiscal year 2021. Following candidate selection, Lilly will be responsible for performing and funding all future development and commercialization of the CNS disease development candidates.

Under the terms of the license agreement, we were entitled to receive a non-refundable and non-creditable upfront cash payment amounting to $125.0 million, which we received in April 2021, and a potential for an additional $830.0 million in milestone payments upon the achievement of specified development and regulatory milestones by non-CNS disease products and $255.0 million in milestone payments upon the achievement of specified development and regulatory milestones by CNS disease products. We are also eligible to receive up to $100.0 million in sales milestone payments on a product-by-product basis for non-CNS disease products and up to $150.0 million in sales milestone payments on a product-by-product basis for CNS disease products. In addition, depending on the extent of our co-funding of R552 development activities, we would be entitled to receive tiered royalty payments on net sales of non-CNS disease products at percentages ranging from the mid-single digits to high-teens, subject to certain standard reductions and offsets. We would be entitled to receive tiered royalty payments on net sales of CNS disease products up to low-double digits, subject to certain standard reductions and offsets.

We accounted for this agreement under ASC 606 and identified the following distinct performance obligations at inception of the agreement: (a) granting of the license rights over the non-CNS penetrant intellectual property (IP), and (b) granting of the license rights over the CNS penetrant IP which will be delivered to Lilly upon completion of the additional research and development efforts specified in the agreement. We concluded each of these performance obligations is distinct. We based our assessment on the assumption that Lilly can benefit from each of the licenses on its own by developing and commercializing the underlying product using its own resources.

Under the agreement, we are required to share20% of the development costs for R552 in the U.S., Europe and Japan up to a specified cap. Given our rights to opt out from the development of R552, we believe at the minimum, we have a commitment to fund the development costs up to $65.0 million as discussed above. We considered this commitment to fund the development costs as a significant financing component of the contract, which we accounted for as a reduction of the upfront fee to derive the transaction price. This financing component was recorded as a liability at its net present value of approximately $57.9 million, and interest expense will be accreted on such liability over the expected commitment period using the 6.4% discount rate applied. We allocated the net transaction price of $67.1 million to each performance obligation based on our best estimate of its relative standalone selling price using the adjusted market assessment approach.

We concluded that the license rights over the non-CNS penetrant IP represents functional IP that is not expected to change over time, and we have no ongoing or undelivered obligations relative to such IP that Lilly will benefit from the use of such IP on the delivery date. As such, the transaction price allocated to the non-CNS penetrant IP of $60.4 million was recognized as revenue for the three months ended March 31, 2021 upon delivery of the non-CNS penetrant IP to Lilly in March 2021. For the delivery of license rights over the CNS penetrant IP, we are obligated to perform additional research and development efforts before Lilly can accept the license. The allocated transaction price of $6.7 million will be recognized as revenue from the effective date of the agreement through the eventual acceptance by Lilly using the input method. We recognized revenue during the three months ended March 31, 2021 of $243,000, relative to the delivery of CNS penetrant IP. As of March 31, 2021, the remaining deferred revenue amounted to $6.5 million and the outstanding financing liability of $58.0 million is included within other current and long-term liabilities in the condensed balance sheet. Interest expense accreted during the three months ended March 31, 2021 was $60,000.

The remaining future variable consideration related to future milestone payments as discussed above were fully constrained because we cannot conclude that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur, given the inherent uncertainty of success with these future milestones. For sales-based milestones and royalties, we determined that the license is the predominant item to which the royalties or sales-based milestones relate. Accordingly, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). We will re-evaluate the transaction price in each reporting period and as uncertain events are resolved or other changes in circumstances occur.

Grifols License Agreement

In January 2019, we entered into an exclusive license agreement with Grifols to commercialize fostamatinib in all indications, including chronic ITP and AIHA, in Europe and Turkey. Under the agreement, we received an upfront payment of $30.0 million, with the potential for $297.5 million in total regulatory and commercial milestones, which included a $17.5 million payment for EMA approval of fostamatinib for the first indication and a $2.5 million creditable advance royalty payment due upon EMA approval of fostamatinib in the first indication in chronic ITP. We will also receive stepped double-digit royalty payments based on tiered net sales which may reach 30% of net sales. In return, Grifols received exclusive rights to fostamatinib in human diseases, including chronic ITP, AIHA, and IgAN, in Europe and Turkey. Grifols also received an exclusive option to expand the territory under its exclusive and non-exclusive licenses to include the Middle East, North Africa and Russia (including Commonwealth of Independent States). In November 2020, Grifols exercised its option to include these territories as part of the licensed territories under the agreement. The agreement also required us to continue to conduct our long-term open-label extension study on patients with ITP through EMA approval of ITP in Europe or until the study ends as well as conduct the Phase 3 trial in AIHA.

In December 2019, we entered into a Drug Product Purchase Agreement with Grifols wherein we agreed to supply and sell to Grifols at 30% mark up the drug product requested under an anticipated first and only purchase order until Grifols enters into a supply agreement directly with a third-party drug product manufacturer. In October 2020, we entered into a Commercial Supply Agreement with Grifols.

In January 2020, we received European Commission's approval of our MAA for fostamatinib for the treatment of chronic immune thrombocytopenia in adult patients who are refractory to other treatments. With this approval, we received in February 2020 a $20.0 million non-refundable payment, which is comprised of a $17.5 million payment for EMA approval of fostamatinib for the first indication and a $2.5 million creditable advance royalty payment, based on the terms of our collaboration agreement with Grifols. The above milestone payment was allocated to the distinct performance obligations in the collaboration agreement with Grifols.

We accounted for this agreement under ASC 606 and identified the following distinct performance obligations at inception of the agreement: (a) granting of the license, (b) performance of research and regulatory services related to our ongoing long-term open-label extension study on patients with ITP, and (c) performance of research services related to our Phase 3 study in AIHA. In October 2020, we entered into a commercial supply agreement for the licensed territories. We concluded each of these performance obligations is distinct. We based our assessment on the following: (i) our assessment that Grifols can benefit from the license on its own by developing and commercializing the underlying product using its own resources, and (ii) the fact that the manufacturing services are not highly specialized in nature and can be performed by other vendors. Upon execution of our agreement with Grifols, we determined that the upfront fee of $5.0 million, which is the non-refundable portion of the $30.0 million upfront fee, represented the transaction price. In the first quarter of 2020, we revised the transaction price to include the $25.0 million of the upfront payment that is no longer refundable under our agreement and the $20.0 million payment received that is no longer constrained. We allocated the updated transaction price to the distinct performance obligations in our collaboration agreement based on our best estimate of the relative standalone selling price as follows: (a) for the license, we estimated the standalone selling price using the adjusted market assessment approach to estimate its standalone selling price in the licensed territories; (b) for the research and regulatory services, we estimated the standalone selling price using the cost plus expected margin approach. As a result of the adjusted transaction price, adjustments are recorded on a cumulative catch-up basis, and recorded as part of contract revenues from collaborations in the first quarter of 2020.

The remaining future variable consideration of $277.5 million related to future regulatory and commercial milestones were fully constrained because we cannot conclude that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur, given the inherent uncertainty of success with these future milestones. We are recognizing revenues related the research and regulatory services throughout the term of the respective clinical programs using the input method. For sales-based milestones and royalties, we determined that the license is the predominant item to which the royalties or sales-based milestones relate. Accordingly, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). We will re-evaluate the transaction price in each reporting period and as uncertain events are resolved or other changes in circumstances occur.

As of March 31, 2021 and December 31, 2020, the remaining deferred revenue was $1.6 million related to the performance of research services. We did not recognize revenues during the three months ended March 31, 2021 related to the research and development services. During the three months ended March 31, 2021, we recognized $1.0 million in revenues for the delivery of drug supplies to Grifols for its commercialization. During the three months ended March 31, 2020, we recognized $39.9 million in revenues related to the licensed rights in intellectual property and $3.2 million in revenues related to the research services performed.

Kissei License Agreement

In October 2018, we entered into an exclusive license and supply agreement with Kissei to develop and commercialize fostamatinib in all current and potential indications in Japan, China, Taiwan and the Republic of Korea. Kissei is responsible for performing and funding all development activities for fostamatinib in the above-mentioned territories. We received an upfront cash payment of $33.0 million, with the potential for up to an additional $147.0 million in development, regulatory and commercial milestone payments, and will receive mid to upper twenty percent, tiered, escalated net sales-based payments for the supply of fostamatinib. Under the agreement, we granted Kissei the license rights to fostamatinib in the territories above and are obligated to supply Kissei with drug product for use in clinical trials and pre-commercialization activities. We are also responsible for the manufacture and supply of fostamatinib for all future development and commercialization activities under the agreement.

We accounted for this agreement under ASC 606 and identified the following distinct performance obligations at inception of the agreement: (a) granting of the license, (b) supply of fostamatinib for clinical use and (c) material right associated with discounted fostamatinib that are supplied for use other than clinical or commercial. In addition, we will provide commercial product supply if the product is approved in the licensed territory. We concluded that each of these performance obligations is distinct. We based our assessment on the following: (i) our assessment that Kissei can benefit from the license on its own by developing and commercializing the underlying product using its own resources and (ii) the fact that the manufacturing services are not highly specialized in nature and can be performed by other vendors. Moreover, we determined that the upfront fee of $33.0 million represented the transaction price and was allocated to the performance obligations based on our best estimate of the relative standalone selling price as follows: (a) for the license, we estimated the standalone selling price using the adjusted market assessment approach to estimate its standalone selling price in the licensed territories; (b) for the supply of fostamatinib and the material right associated with discounted fostamatinib, we estimated the standalone selling price using the cost plus expected margin approach. Variable consideration of $147.0 million related to future development and regulatory milestones was fully constrained because we cannot conclude that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur, given the inherent uncertainty of success with these future milestones. We will recognize revenues related to the supply of fostamatinib and material right upon delivery of fostamatinib to Kissei. For sales-based milestones and royalties, we determined that the license is the predominant item to which the royalties or sales-based milestones relate to. Accordingly, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). We will re-evaluate the transaction price in each reporting period and as uncertain events are resolved or other changes in circumstances occur.

We did not recognize any revenues during the three months ended March 31, 2021 and 2020. As of March 31, 2021, deferred revenues related to the unsatisfied performance obligations related to the supply of fostamatinib and material right associated with discounted fostamatinib supply was $1.4 million.

Medison Commercial and License Agreements

In October 2019, we entered into two exclusive commercial and license agreements with Medison for the commercialization of fostamatinib for chronic ITP in Israel and in Canada, pursuant to which we received a $5.0 million upfront payment with respect to the agreement in Canada. We accounted for the agreement made with an upfront payment under ASC 606 and identified the following combined performance obligations at inception of the agreement: (a) granting of the license and (b) obtaining regulatory approval in Canada of fostamatinib in ITP. We determined that the non-refundable upfront fee of $5.0 million represented the transaction price. However, under the agreement, we have the option to buy back all rights to the product in Canada within six months from obtaining regulatory approval for the treatment of AIHA in Canada. The buyback option precludes us from transferring control of the license to Medison under ASC 606. We believe that the buyback provision, if exercised, will require us to repurchase the license at an amount equal to or more than the upfront $5.0 million. As such this arrangement is accounted for as a financing arrangement. Accrued interest expense related to this financing arrangement as of March 31, 2021 and December 31, 2020 was immaterial. Pursuant to this exclusive commercialization license agreement, in August 2020, we entered into a commercial supply agreement with Medison.

Other license agreements

In February 2021, we entered into a non-exclusive license agreement with an unrelated third party whereby we granted such unrelated third-party rights to a certain patent. In consideration for the license rights granted, we received a one-time fee of $4.0 million**.** All the deliverables under the agreement had been delivered and the one-time fee was recognized as revenue during the three months ended March 31, 2021.

Government Contract

U.S. Department of Defense's JPEO-CBRND

In January 2021, we were awarded up to $16.5 million by the U.S. Department of Defense to support our ongoing Phase 3 clinical trial to evaluate the safety and efficacy of fostamatinib in hospitalized COVID-19 patients. The amount of award we will receive from the U.S. Department of Defense is subject to submission of proper documentation as evidence of completion of certain clinical trial events or milestones as specified in the agreement, and approval by the U.S. Department of Defense that such events or milestones have been met. We determined that this government award should be accounted for under IAS 2, *Accounting for Government Grants and Disclosure of Government Assistance,* which is outside of the scope of Topic 606, as the U.S. Department of Defense is not receiving reciprocal value for their contributions. We will record grant income in the statement of operations in the same period it is probable that we will receive the award, which is when we comply with the conditions associated with the award and obtain approval from the U.S. Department of Defense that such conditions have been met. For the three months ended March 31, 2021, we recognized $3.0 million related to this grant, of which $1.0 million had been invoiced but not yet collected and is included within accounts receivable on the accompanying balance sheet as of March 31, 2021. We expect to receive the remaining award of $13.5 million throughout the period we conduct our clinical trial, subject to us meeting certain clinical trial events or milestones and approval by the U.S. Department of Defense as specified in the agreement.

9. Inventories

As of March 31, 2021 and December 31, 2020, we have the following inventories (in thousands):

	March 31, 2021	December 31, 2020
Raw materials	$ 5,142	$ —
Work in process	843	1,189
Finished goods	962	449
Total	$ 6,947	$ 1,638

As of December 31, 2020, we have $4.0 million in advance payments to our manufacturer of our raw materials, which was included as part of Prepaid and Other Current Assets in our condensed balance sheet. During the three months ended March 31, 2021, the production of raw materials was completed and ownership was transferred to us. Accordingly, such advance payments were reclassified to inventories and were included within raw materials account balance as of March 31, 2021.

10. Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Cash	$ 1,112	$ 1,988
Money market funds	11,836	19,487
U.S. treasury bills	—	10,034
Government-sponsored enterprise securities	3,001	4,920
Corporate bonds and commercial paper	23,396	20,898
	$ 39,345	$ 57,327
Reported as:		
Cash and cash equivalents	$ 20,047	$ 30,373
Short-term investments	19,298	26,954
	$ 39,345	$ 57,327

Cash equivalents and short-term investments include the following securities with gross unrealized gains and losses (in thousands):

March 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government-sponsored enterprise securities	$ 3,001	$ —	$ —	$ 3,001
Corporate bonds and commercial paper	23,397	—	(1)	23,396
Total	$ 26,398	$ —	$ (1)	$ 26,397

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury bills	$ 10,036	$ —	$ (2)	$ 10,034
Government-sponsored enterprise securities	4,920	—	—	4,920
Corporate bonds and commercial paper	20,900	—	(2)	20,898
Total	$ 35,856	$ —	$ (4)	$ 35,852

As of March 31, 2021 and December 31, 2020, our cash equivalents and short-term investments, which have contractual maturities within one year, had a weighted-average time to maturity of approximately 39 days and 78 days, respectively. We view our short-term investments portfolio as available for use in current operations. We have the ability to hold all investments as of March 31, 2021 through their respective maturity dates. As of March 31, 2021, we had no investments that had been in a continuous unrealized loss position for more than 12 months. As of March 31, 2021, a total of 18 individual securities had been in an unrealized loss position for 12 months or less, and the losses were determined to be temporary. The gross unrealized losses above were caused by interest rate increases. No significant facts or circumstances have arisen to indicate that there has been any significant deterioration in the creditworthiness of the issuers of the securities held by us. Based on our review of these securities, including the assessment of the duration and severity of the unrealized losses and our ability and intent to hold the investments until maturity, there were no other-than-temporary impairments for these securities as of March 31, 2021.

The following table shows the fair value and gross unrealized losses of our investments in individual securities that are in an unrealized loss position, aggregated by investment category (in thousands):

March 31, 2021	Fair Value	Unrealized Losses
Corporate bonds and commercial paper	$ 19,147	$ 1

11. Fair Value

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price at which an asset could be exchanged, or a liability transferred in a transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

Assets and liabilities recorded at fair value in our financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair valued assets we hold that are generally included under this Level 1 are money market securities where fair value is based on publicly quoted prices.

Level 2—Inputs, other than quoted prices included in Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

The fair valued assets we hold that are generally assessed under Level 2 included government-sponsored enterprise securities, U.S. treasury bills and corporate bonds and commercial paper. We utilize third party pricing services in developing fair value measurements where fair value is based on valuation methodologies such as models using observable market inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers and other reference data. We use quotes from external pricing service providers and other on-line quotation systems to verify the fair value of investments provided by our third-party pricing service providers. We review independent auditor's reports from our third-party pricing service providers particularly regarding the controls over pricing and valuation of financial instruments and ensure that our internal controls address certain control deficiencies, if any, and complementary user entity controls are in place.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

We do not have fair valued assets and liabilities classified under Level 3.

Fair Value on a Recurring Basis

Financial assets measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations (in thousands):

	Assets at Fair Value as of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 11,836	$ —	$ —	$ 11,836
Government-sponsored enterprise securities	—	3,001	—	3,001
Corporate bonds and commercial paper	—	23,396	—	23,396
Total	$ 11,836	$ 26,397	$ —	$ 38,233

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 19,487	$ —	$ —	$ 19,487
U.S. treasury bills	—	10,034	—	10,034
Government-sponsored enterprise securities	—	4,920	—	4,920
Corporate bonds and commercial paper	—	20,898	—	20,898
Total	$ 19,487	$ 35,852	$ —	$ 55,339

12. Lease Agreements

We currently lease our research and office space under a noncancelable lease agreement with our landlord, Healthpeak Properties, Inc. (formerly known as HCP BTC, LLC), which was originally set to expire in 2018. The lease term provides for renewal option for up to two additional periods of five years each. In July 2017, we exercised our option to extend the term of our lease for another five years through January 2023 and modified the amount of monthly base rent during such renewal period.

In December 2014, we entered into a sublease agreement, which was amended in 2017, with an unrelated third party to occupy approximately 57,000 square feet of our research and office space. In February 2017, we entered into an amendment to the sublease agreement to increase the subleased research and office space for an additional 9,328 square feet under the same term of the sublease. Effective July 2017, the sublease agreement was amended primarily to extend the term of the sublease through January 2023 and modified the monthly base rent to equal the amount we will pay our landlord. Because the future sublease income under the extended sublease agreement is the same as the amount, we will pay our landlord, we did not recognize any loss on sublease relative to this amendment. We expect to receive approximately $8.5 million in future sublease income (excluding our subtenant's share of facilities operating expenses) through January 2023.

We recorded rent expense on a straight-line basis for our lease, net of sublease income. For our sublease arrangement which we classified as an operating lease, our loss on the sublease was comprised of the present value of our future payments to our landlord less the present value of our future rent payments expected from our subtenant over the term of the sublease.

As of March 31, 2021 and December 31, 2020, we had operating lease right-of-use asset of $15.9 million and $17.9 million, respectively, and lease liability of $17.2 million and $19.3 million, respectively, in the condensed balance sheet. The weighted average remaining term of our lease as of March 31, 2021 was 1.83 years.

As of March 31, 2021, we received from our landlord leasehold improvement incentives amounting to $563,000 related to leasehold improvements. We record these leasehold improvement incentives as a reduction to operating lease right-of-use asset and lease liability until the lease ends and the asset is transferred.

For the three months ended March 31, 2021 and 2020, the components of our operating lease expense were as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Fixed operating lease expense	$ 1,340	$ 1,340
Variable operating lease expense	229	251
Total operating lease expense	$ 1,569	$ 1,591

Supplemental information related to our operating lease for the three months ended March 31, 2021 and 2020 were as follow (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash payments included in the measurement of operating lease liabilities	$ 2,496	$ 2,400

For the three months ended March 31, 2021 and 2020, we have the following operating sublease information (in thousands):

	Three Months Ended March 31,	
	2021	2020
Fixed sublease expense	$ 1,095	$ 1,095
Variable sublease expense	241	223
Sublease income	(1,336)	(1,318)
Net	$ —	$ —

The following table presents the future lease payments of our operating lease liabilities as of March 31, 2021 (in thousands):

	Operating Lease	Sublease Receipts	Net
Remainder of 2021	$ 7,586	$ (3,412)	$ 4,174
2022	10,485	(4,716)	5,769
2023	877	(394)	483
Total minimum payments required	$ 18,948	$ (8,522)	$ 10,426

13. Debt

On September 27, 2019, we entered into a Credit and Security Agreement (Credit Agreement), dated as of September 27, 2019 (Closing Date) with MidCap Financial Trust (MidCap). The Credit Agreement provides for a $60.0 million term loan credit facility with the following tranches: (i) on the Closing Date, $10.0 million aggregate principal amount of term loans (Tranche 1), (ii) until December 31, 2020, an additional $10.0 million term loan facility at our option (Tranche 2), (iii) until March 31, 2021, an additional $20.0 million term loan facility subject to the satisfaction of certain conditions and at our option (Tranche 3) and (iv) until March 31, 2022, an additional $20.0 million term loan facility subject to the satisfaction of certain conditions and at our option (Tranche 3). The obligations under the Credit Agreement are secured by a perfected security interest in all of our assets except for intellectual property and certain other customary excluded property pursuant to the terms of the Credit Agreement.

The outstanding principal balance of the loan bears interest at an annual rate of one-month LIBOR plus 5.65%, subject to a LIBOR floor of 1.50% and is payable monthly in arrears. Commencing on October 1, 2019, the Credit Agreement provides that we initially make interest-only payments for 24 months followed by 36 months of amortization payments. The interest-only period will be extended to 36 months and again to 48 months upon the satisfaction of certain conditions set forth in the Credit Agreement. All unpaid principal and accrued interest are due and payable no later than September 1, 2024. A final payment fee of 2.5% of principal is due on the final payment of the term loan.

We may make voluntary prepayments, in whole or in part, subject to certain prepayment premiums and additional interest payments. The Credit Agreement also contains certain provisions, such as event of default and change in control provisions, which, if triggered, would require us to make mandatory prepayments on the term loan, which are subject to certain prepayment premiums and additional interest payments.

As discussed above, at Closing Date, $10.0 million was funded in an initial tranche. In March 2020, we signed a credit extension form for the second tranche amounting to $10.0 million, which we received in May 2020. In April 2021, we amended the Credit Agreement to extend the period through which Tranche 3 will be available through March 31, 2022, subject to the satisfaction of certain conditions and at our option. To date, the facility gives us the ability to access an additional $40.0 million at our option, subject to the achievement of certain customary conditions.

As of March 31, 2021 and December 31, 2020, the outstanding balance of the loan, net of unamortized debt discount was $19.8 million. Debt issuance costs are recorded as a direct deduction from the term loan on the balance sheet and are being amortized ratably as interest expense over the term of the loan, using the effective interest method. As of March 31, 2021 and December 31, 2020, the unamortized issuance costs and debt discounts amounted to $156,000 and $185,000, respectively.

The following table presents the future minimum principal payments of the outstanding loan as of March 31, 2021 under the current Credit Agreement (in thousands):

Remainder of 2021	$	1,667
2022		6,667
2023		6,667
2024		4,999
Principal amount (Tranches 1 and 2)	$	20,000

Our Credit Agreement provides us an option to extend the principal amortization of our outstanding loan, subject to certain conditions. Subject to us providing the evidence that we met the extension conditions and approval by MidCap, the extended amortization start date shall be the earlier of October 1, 2022 if we satisfy the first extension condition but fails to satisfy the second extension condition, or October 1, 2023 if we satisfy both first and second extension conditions.

For the three months ended March 31, 2021 and 2020, interest expense, including amortization of the debt discount and accretion of the final fees related to the Credit Agreement was $425,000 and $241,000, respectively.

The Credit Agreement contains certain covenants which, among others, require us to deliver financial reports at designated times of the year and maintain minimum net revenues and $10.0 million of cash to draw Tranche 3 or Tranche 4. As of March 31, 2021, we were not in violation of any covenants.

Note 14. Income Taxes

The quarterly provision for or benefit from income taxes is based on applying the estimated annual effective tax rate to the year-to-date pre-tax income (loss), plus any discrete items. We update our estimate of our annual effective tax rate at the end of each quarterly period. The estimate considers annual forecasted income (loss) before income taxes and any significant permanent tax items.

For the three months ended March 31, 2021, we recorded provision for income tax of $1.8 million. The provision for income taxes for the three months ended March 31, 2021 was primarily related to state tax on our pre-tax book income. We estimated a state tax liability over our forecasted pre-tax income for 2021, primarily due to revenue recognized for the Lilly agreement. We do not expect to owe federal income taxes due to the sufficient net operating loss carryforwards that were generated prior to the enactment of the Tax Cuts and Jobs Act, as well as significant research and development credit carryforwards. Although we are projecting book income for 2021, we continue to record a full valuation allowance on our deferred tax assets considering our cumulative losses in prior years and forecasted losses in the future. For the three months ended March 31, 2020, we did not record provision for income taxes due to our pre-tax book loss.

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

This discussion and analysis should be read in conjunction with our financial statements and the accompanying notes included in this report and the audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2020. Our financial results for the three months ended March 31, 2021 are not necessarily indicative of results that may occur in future interim periods or for the full fiscal year.

This Quarterly Report on Form 10-Q contains statements indicating expectations about future performance and other forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, that involve risks and uncertainties. We usually use words such as "may," "will," "would," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," or the negative of these terms or similar expressions to identify these forward-looking statements. These statements appear throughout this Quarterly Report on Form 10-Q and are statements regarding our current expectation, belief or intent, primarily with respect to our operations and related industry developments. Examples of these statements include, but are not limited to, statements regarding the following: our expectations regarding the impact of the global COVID-19 pandemic; ourbusiness and scientific strategies; risks and uncertainties associated with the commercialization and marketing of TAVALISSE; in the U.S. and in Europe; risks that the FDA, EMA or other regulatory authorities may make adverse decisions regarding fostamatinib; the progress of our and our collaborators' product development programs, including clinical testing, and the timing of results thereof; our corporate collaborations and revenues that may be received from our collaborations and the timing of those potential payments; our expectations with respect to regulatory submissions and approvals; our drug discovery technologies; our research and development expenses; protection of our intellectual property; sufficiency of our cash and capital resources and the need for additional capital; and our operations and legal risks. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including as a result of the risks and uncertainties discussed under the heading "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

We are a biotechnology company dedicated to discovering, developing and providing novel small molecule drugs that significantly improve the lives of patients with hematologic disorders, cancer and rare immune diseases. Our pioneering research focuses on signaling pathways that are critical to disease mechanisms. Our first United States Food and Drug Administration (FDA) approved product is TAVALISSE® (fostamatinib disodium hexahydrate) tablets, the only oral spleen tyrosine kinase (SYK) inhibitor, for the treatment of adult patients with chronic immune thrombocytopenia who have had an insufficient response to a previous treatment. The product is also commercially available in Europe (TAVLESSE) and Canada (TAVALISSE) for the treatment of chronic immune thrombocytopenia in adult patients.

Fostamatinib is currently being studied in a Phase 3 trial for the treatment of warm autoimmune hemolytic anemia (wAIHA); a Phase 3 clinical trial for the treatment of hospitalized patients with COVID-19, a National Institutes of Health (NIH)/National Heart, Lung, and Blood Institute (NHLBI)-sponsored Phase 2 trial for the treatment of hospitalized patients with COVID-19, in collaboration with Inova Health System; and a Phase 2 trial for the treatment of COVID-19 being conducted by Imperial College London.

Our other clinical programs include our interleukin receptor-associated kinase (IRAK) inhibitor program and a receptor-interacting serine/threonine-protein kinase (RIP1) inhibitor program in clinical development with partner Eli Lilly and Company (Lilly). In addition, we have product candidates in clinical development with partners AstraZeneca AB (AZ), BerGenBio ASA (BerGenBio) and Daiichi Sankyo (Daiichi).

Business Update

TAVALISSE IN ITP

In the first quarter of 2021, net product sales of TAVALISSE was $12.4 million which represented a decrease of 2% compared to same period in 2020. During the quarter, we experienced lower than anticipated sales of TAVALISSE due to continuing impacts of the COVID-19 pandemic as well as the typical first quarter reimbursement issues such as the resetting of co-pays and the Medicare donut hole, along with physician and patient access issues created by the COVID-19 pandemic. Incrementally, our net product sales were negatively impacted by the decrease in level of inventories remaining at our distribution channels.

Due to the evolving effects of the COVID-19 pandemic, we continue to deploy resources to enable our field-based employees to continue to engage virtually with health care providers. These virtual engagements have enabled our field team to support existing prescribers, as well as develop new prescribers to identify appropriate patients for TAVALISSE. We also conducted market research with chronic ITP (cITP) prescribers in 2020 to understand the impact of COVID on cITP management. More than half of respondents reported that COVID had an impact on their management of cITP, and about a third of respondents anticipate a surge of patients post-COVID. This is because clinicians have found it challenging to both start a therapy, and switch to new therapies.

A post-hoc analysis from our Phase 3 clinical program in adult patients with cITP, highlighting the potential benefit of using TAVALISSE in earlier lines of therapy, was published in the British Journal of Haematology in July 2020. Inclusion in one of the leading peer-reviewed journals in the field of hematology underscores the significance of the 78% (25/32) response rate defined as at least one platelet count of at least 50,000/μL when TAVALISSE was used as a second-line therapy in our Phase 3 clinical program. Adverse events were manageable and consistent with those previously reported with fostamatinib. Our sales force is now sharing this data with physicians.

Global Strategic Partnership with Lilly

In February 2021, we entered into a global exclusive license agreement and strategic collaboration with Lilly, to develop and commercialize R552, a receptor-interacting serine/threonine-protein kinase 1 (RIP1) inhibitor, for the treatment of non-central nervous system (non-CNS) diseases. In addition, the collaboration is aimed at developing additional RIP1 inhibitors for the treatment of central nervous system (CNS) diseases. Pursuant to the terms of the license agreement, we granted to Lilly the exclusive rights to develop and commercialize R552 and related RIP1 inhibitors in all indications worldwide. The parties' collaboration is governed through a joint governance committee and appropriate subcommittees. The agreement became effective in March 2021 upon clearance under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976.

We are responsible for 20% of development costs for R552 in the U.S., Europe, and Japan, up to a specified cap. Lilly is responsible for funding the remainder of all development activities for R552 and other non-CNS disease development candidates. We have the right to opt-out of co-funding the R552 development activities in the U.S., Europe and Japan at two different specified times. If we exercise our first opt-out right, we will continue to fund our share of the R552 development activities in the U.S., Europe, and Japan up to a maximum funding commitment of $65.0 million.

We are responsible for performing and funding initial discovery and identification of CNS disease development candidates, which is nearly completed. Following candidate selection, Lilly will be responsible for performing and funding all future development and commercialization of the CNS disease development candidates.

Under the terms of the license agreement, we were entitled to receive an upfront cash payment of $125.0 million, which we subsequently received in April 2021, with the potential for an additional $330.0 million in milestone payments upon the achievement of specified development and regulatory milestones by non-CNS disease products and $255.0 million in milestone payments upon the achievement of specified development and regulatory milestones by CNS disease products. We are also eligible to receive up to $100.0 million in sales milestone payments on a product-by-product basis for non-CNS disease products and up to $150.0 million in sales milestone payments on a product-by-product basis for CNS disease products. In addition, depending on the extent of our co-funding of R552 development activities, we would be entitled to receive tiered royalty payments on net sales of non-CNS disease products at percentages ranging from the mid-single digits to high-teens, subject to certain standard reductions and offsets. We would be entitled to receive tiered royalty payments on net sales of CNS disease products up to low-double digits, subject to certain standard reductions and offsets.

Fostamatinib in Hospitalized COVID-19 patients

In April 2021, we reported positive topline results from a multi-center, Phase 2 clinical trial evaluating the safety of fostamatinib, our oral SYK inhibitor, for the treatment of hospitalized patients with COVID-19. The trial met its primary endpoint of comparable safety than standard of care, and showed broad and consistent improvement in numerous efficacy endpoints, including mortality, ordinal scale assessment, and number of days in the ICU. This trial was conducted in collaboration with the National Heart, Lung, and Blood Institute (NHLBI), part of the National Institutes of Health (NIH), and Inova Health System. The NHLBI is expected to publish a full analysis of the trial data in a peer-reviewed journal. We are discussing the results with the health authorities, including the FDA, and intend to apply for Emergency Use Authorization (EUA) for the fostamatinib as a treatment for hospitalized patients with COVID-19.

Update on Current and Potential Future Impact of COVID-19 on our Business

We are continuing to monitor the impact of the evolving effects of the COVID-19 pandemic and have undertaken, and plan to continue to undertake, safety measures to keep our staff, patients, investigators and stockholders safe and to help the communities where we live and work reduce the number of people exposed to the virus. We have previously implemented work-from-home policies for certain employees and restricted on-site staff at our office in South San Francisco to only those personnel performing essential activities. In March 2020, through our existing Crisis Management Team (CMT), we also activated our business continuity plans to prevent or minimize business disruption and ensure the safety and well-being of our personnel. Our CMT meets regularly to assess the effectiveness of our business continuity plans and make adjustments accordingly as COVID-19 continues to evolve. The ultimate impact of the COVID-19 pandemic on our business and financial condition is highly uncertain and subject to change, and as such, we cannot ascertain the full extent of the impacts on our sales of our product, our ability to continue to secure new collaborations and support existing collaboration efforts with our partners and our clinical and regulatory activities.

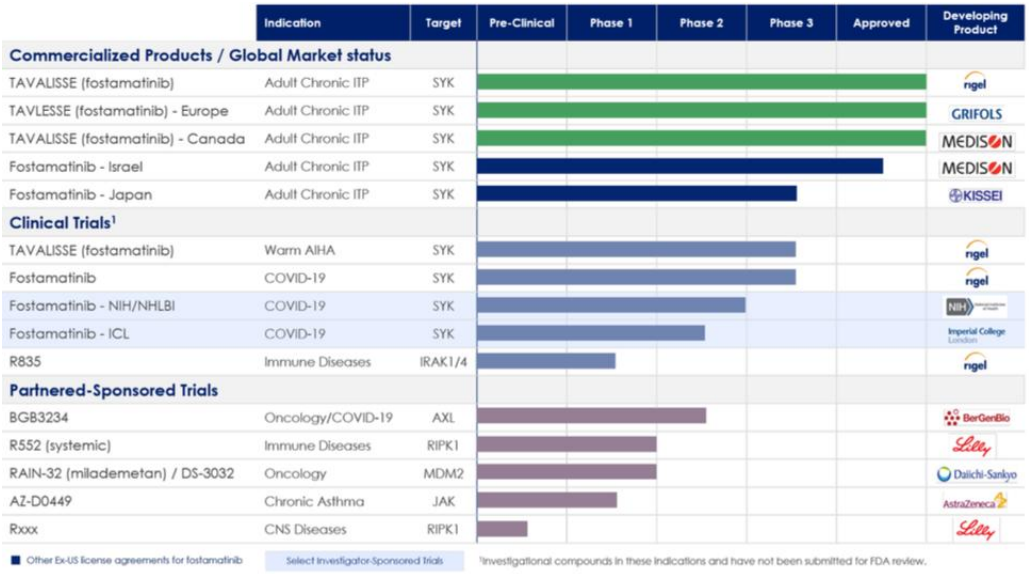
Since the COVID-19 pandemic was declared, we have observed reduced patient-doctor interactions and our representatives are having fewer visits with health care providers, which negatively affected our ability to grow our product sales and may continue to negatively affect our product sales in the future. Resources have been deployed to enable our field team to have virtual engagements to support existing prescribers as well as partner with new prescribers to identify appropriate patients for TAVALISSE. Other commercial related activities, such as our marketing programs, speaker bureaus, and market access initiatives that were in live forums have been conducted virtually, delayed or cancelled as a result of the COVID-19 pandemic.

With respect to our supply chain, we currently do not anticipate significant disruption in the supply chain for our commercial product, TAVALISSE. However, we do not know the full extent of the impact on our supply chain if the COVID-19 pandemic continues and persists for an extended period of time.

See also the section titled "Risk Factors" in Item 1A of this Form 10-Q for additional information on risks and uncertainties related to the ongoing COVID-19 pandemic.

Our Product Portfolio

The following table summarizes our portfolio:



Commercial Product

TAVALISSE in ITP

Disease background. Chronic ITP affects an estimated 81,300 adult patients in the U.S. In patients with ITP, the immune system attacks and destroys the body's own blood platelets, which play an active role in blood clotting and healing. ITP patients can suffer extraordinary bruising, bleeding and fatigue as a result of low platelet counts. Current therapies for ITP include steroids, blood platelet production boosters that imitate thrombopoietin (TPOs) and splenectomy.

Orally-available fostamatinib program. Taken in tablet form, fostamatinib blocks the activation of SYK inside immune cells. ITP is typically characterized by the body producing antibodies that attach to healthy platelets in the blood stream. Immune cells recognize these antibodies and affix to them, which activates the SYK enzyme inside the immune cell, and triggers the destruction of the antibody and the attached platelet. When SYK is inhibited by fostamatinib, it interrupts this immune cell function and allows the platelets to escape destruction. The results of our Phase 2 clinical trial, in which fostamatinib was orally administered to 16 adults with chronic ITP, published in *Blood*, showed that fostamatinib significantly increased the platelet counts of certain ITP patients, including those who had failed other currently available agents.

Our Fostamatinib for Immune Thrombocytopenia (FIT) Phase 3 clinical program had a total of 150 ITP patients which were randomized into two identical multi-center, double-blind, placebo-controlled clinical trials. The patients were diagnosed with persistent or chronic ITP, and had blood platelet counts consistently below 30,000 per microliter of blood. Two-thirds of the subjects received fostamatinib orally at 100 mg twice daily bid and the other third received placebo on the same schedule. Subjects were expected to remain on treatment for up to 24 weeks. At week four of treatment, subjects who failed to meet certain platelet counts and met certain tolerability thresholds could have their dosage of fostamatinib (or corresponding placebo) increased to 150 mg bid. The primary efficacy endpoint of this program was a stable platelet response by week 24 with platelet counts at or above 50,000 per microliter of blood for at least four of the final six qualifying blood draws. In August 2015, the FDA granted our request for Orphan Drug designation for fostamatinib for the treatment of ITP. In February 2020, Kissei was granted orphan drug designation from the Japanese Ministry of Health, Labor and Welfare for R788 (fostamatinib) in chronic idiopathic thrombocytopenic purpura.

In August 2016, we announced the results of the first FIT study, reporting that fostamatinib met the study's primary efficacy endpoint. The study showed that 18% of patients receiving fostamatinib achieved a stable platelet response compared to none receiving a placebo control (p=0.0261). In October 2016, we announced the results of the second FIT study, reporting that the response rate was 18%, consistent with the first study. However, one patient in the placebo group (4%) achieved a stable platelet response, therefore the difference between those on treatment and those on placebo did not reach statistical significance (p=0.152) and the study did not meet its primary endpoint. Using the most conservative sensitivity analysis, rather than the protocol's prespecified analysis, one more patient in the second study is considered a non-responder, resulting in 8 of 50 (16%) responders on fostamatinib (p = 0.256 vs. placebo). When the data from both studies are combined, however, this difference is statistically significant (p=0.007).

Patients from the FIT studies were given the option to enroll in a long-term open-label extension study and receive treatment with fostamatinib, also a Phase 3 trial. A total of 123 patients enrolled in this study. All the patients who responded to fostamatinib in the FIT studies and enrolled in the long-term open-label extension study maintained a median platelet count of 106,500/uL at a median of 16 months. In addition, there were 44 placebo non-responders that enrolled in the long-term open-label extension study, 41 of which patients had at least 12 weeks of follow-up. Of those, 9 patients (22%) have achieved a prospectively defined stable platelet response, which is statistically significant (p=0.0078) and similar to the response rate fostamatinib achieved in the parent studies.

A stable response was defined as a patient achieving platelet counts of greater than 50,000/uL on more than 4 of the 6 visits between weeks 14 and 24, without rescue medication. In the post-study analysis we performed, a clinically-relevant platelet response was defined to include patients achieving one platelet count over 50,000/uL during the first 12 weeks of treatment, in absence of rescue medication, but who did not otherwise meet the stable response criteria. Once the platelet count of greater than 50,000/uL is achieved, a loss of response was defined as two consecutive platelet counts of less than 30,000/uL in any subsequent visits. In the combined dataset of both stable and clinically-relevant platelet responders for the FIT studies, the response rate was 43% (43/101), compared to 14% (7/49) for placebo (p=0.0006).

The most frequent adverse events were gastrointestinal-related, and the safety profile of the product was consistent with prior clinical experience, with no new or unusual safety issues uncovered.

TAVALISSE was approved by the FDA in April 2018 for the treatment of ITP in adult patients who have had an insufficient response to a previous treatment, and successfully launched in the U.S. in May 2018. In January 2020, the EC granted our MAA in Europe for fostamatinib for the treatment of chronic ITP in adult patients who are refractory to other treatments.

Commercial activities, including sales and marketing

A significant portion of our business operations was related to our commercial activities for TAVALISSE. Specifically, our marketing and sales efforts are focused on targeting hematologists and hematologist-oncologists in the United States, who manage chronic adult ITP patients. Grifols launched TAVLESSE in the UK and Germany in July 2020, and thereafter, expects a phased roll-out over the next 18 months across Europe.

We have a fully integrated commercial team consisting of sales, marketing, market access, and commercial operations functions. Our sales team promotes TAVALISSE in the U.S. wherein, in the ordinary course of the business, we use customary pharmaceutical company practices to market our products in the U.S. and concentrate our efforts on hematologists and hematologists-oncologists. TAVALISSE is sold initially through third-party wholesale distribution and specialty pharmacy channels and group purchasing organizations before being ultimately prescribed to patients. To facilitate our commercial activities in the U.S., we also enter into arrangements with various third-parties, including advertising agencies, market research firms and other sales-support-related services as needed. We believe that our commercial team and distribution practices are adequate to ensure that our marketing efforts reach our target customers and deliver our products to patients in a timely and compliant fashion. Also, to help ensure that all eligible patients in the U.S. have appropriate access to TAVALISSE, we have established a comprehensive reimbursement and patient support program called Rigel One Care (ROC). Through ROC, we provide co-pay assistance to qualified, commercially insured patients to help minimize out-of-pocket costs and provide free drug to uninsured or under-insured patients who meet certain clinical and financial criteria. In addition, ROC is designed to provide comprehensive reimbursement support services, such as prior authorization support, benefits investigation and appeals support.

Competitive landscape for TAVALISSE

Our industry is intensely competitive and subject to rapid and significant technological change. TAVALISSE is competing with other existing therapies. In addition, a number of companies are pursuing the development of pharmaceuticals that target the same diseases and conditions that we are targeting. For example, there are existing therapies and drug candidates in development for the treatment of ITP that may be alternative therapies to TAVALISSE.

Currently, corticosteroids remain the most common first line therapy for ITP, occasionally in conjunction with intravenous immuglobulin (IVIg) or anti-Rh(D) to help further augment platelet count recovery, particularly in emergency situations. However, it has been estimated that frontline agents lead to durable remissions in only a small percentage of newly-diagnosed adults with ITP. Moreover, concerns with steroid-related side effects often restrict therapy to approximately four weeks. As such, many patients progress to persistent or chronic ITP, requiring other forms of therapeutic intervention. In long-term treatment of chronic ITP, patients are often cycled through several therapies over time in order to maintain a sufficient response to the disease.

Other approaches to treat ITP are varied in their mechanism of action, and there is no consensus about the sequence of their use. Options include splenectomy, thrombopoietin receptor agonists (TPO-RAs) and various immunosuppressants (such as rituximab). The response rate criteria of the above-mentioned options vary, precluding a comparison of response rates for individual therapies.

Even with the above treatment options, a significant number of patients remain severely thrombocytopenic for long durations and are subject to risk of spontaneous or trauma-induced hemorrhage. The addition of fostamatinib to the treatment options could be beneficial since it has a different mechanism of action than any of the therapies that are currently available. Fostamatinib is a potent and relatively selective SYK inhibitor, and its inhibition of Fc receptors and B-cell receptors of signaling pathways make it a potentially broad immunomodulatory agent.

Other products in the U.S. that are approved by the FDA to increase platelet production through binding and TPO receptors on megakaryocyte precursors include PROMACTA® (Novartis International AG (Novartis)), Nplate® (Amgen, Inc.) and DOPTELET® (Swedish Orphan Biovitrum AB).

Fostamatinib in Global Markets

We have entered into various license agreements to commercialize fostamatinib globally. The following describes the arrangements we have in place with Grifols, Kissei and Medison. We retain the global rights to fostamatinib outside of the Grifols, Kissei and Medison territories.

Fostamatinib in Europe/Turkey

In January 2019, we entered into an exclusive commercialization license agreement with Grifols to commercialize fostamatinib for the treatment, palliation, or prevention of human diseases, including chronic or persistent ITP and AIHA in Europe and Turkey. Pursuant to the terms of the license agreement, Grifols has exclusive rights to commercialize, and non-exclusive rights to develop, fostamatinib in Europe and Turkey. Grifols also received an exclusive option to expand the territory under its exclusive and non-exclusive licenses to include the Middle East, North Africa and Russia (including Commonwealth of Independent States). In November 2020, Grifols exercised its option to include these territories under the agreement.

We are responsible for performing and funding certain development activities for fostamatinib for ITP and AIHA and Grifols is responsible for all other development activities for fostamatinib in such territories. We remain responsible for the manufacture and supply of fostamatinib for all development and commercialization activities under the agreement.

Under the terms of the agreement, we received an upfront cash payment of $30.0 million and will be eligible to receive regulatory and commercial milestones of up to $297.5 million, which included a $20.0 million non-refundable payment received in the first quarter of 2020, comprised of a $17.5 million payment for EMA approval of fostamatinib for the first indication and a $2.5 million creditable advance royalty payment due upon EMA approval of fostamatinib in the first indication. We will also receive tiered royalty payments ranging from the mid-teens to 30% of net sales of fostamatinib in Europe and Turkey.

In January 2020, we received approval of our MAA for fostamatinib for the treatment of chronic ITP in adult patients who are refractory to other treatments. With this approval, we received a $20.0 million payment as described above. Grifols launched TAVLESSE in the UK and Germany in July 2020, and thereafter, expects a phased roll-out over the next 18 months across Europe In December 2020, the Scottish Medicines Consortium accepted TAVLESSE for use in NHS in Scotland.

Fostamatinib in Japan/Asia

In October 2018, we entered into an exclusive license and supply agreement with Kissei to develop and commercialize fostamatinib in all current and potential indications in Japan, China, Taiwan and the Republic of Korea. Kissei is a Japan-based pharmaceutical company addressing patients' unmet medical needs through its research, development and commercialization efforts, as well as through collaborations with partners.

Under the terms of the agreement, we received an upfront cash payment of $33.0 million, with the potential for an additional $147.0 million in development and commercial milestone payments, and will receive product transfer price payments in the mid to upper twenty percent range based on tiered net sales for the exclusive supply of fostamatinib. Kissei receives exclusive rights to fostamatinib in ITP and all future indications in Japan, China, Taiwan, and the Republic of Korea.

In September 2019, Kissei initiated a Phase 3 trial in Japan of fostamatinib in adult patients with chronic ITP. The efficacy and safety of orally administered fostamatinib will be assessed by comparing it with placebo in a randomized, double-blind study. Japan has the third highest prevalence of chronic ITP in the world behind the United States and Europe. In February 2020, Kissei was granted orphan drug designation from the Japanese Ministry of Health, Labor and Welfare for R788 (fostamatinib) in chronic ITP. Kissei has completed the enrollment of its Phase 3 clinical trial of fostamatinib in adult Japanese patients with chronic ITP.

Fostamatinib in Canada/Israel

In October 2019, we entered into exclusive commercialization license agreements with Medison to commercialize fostamatinib in all potential indications in Canada and Israel. Under the terms of the agreements, we received an upfront payment of $5.0 million with the potential for approximately $35.0 million in regulatory and commercial milestones. In addition, we will receive royalty payments beginning at 30% of net sales. Under our agreement with Medison for the Canada territory, we have the option to buy back all rights to the product upon regulatory approval in Canada for the indication of AIHA. The buyback provision if exercised would require both parties to mutually agree on commercially reasonable terms for us to purchase back the rights, taking into account Medison's investment and the value of the rights, among others. Pursuant to this exclusive commercialization license agreement, in August 2020, we entered into a commercial supply agreement with Medison.

In November 2020, Health Canada approved the New Drug Submission for TAVALISSE for the treatment of thrombocytopenia in adult patients with chronic ITP who have had an insufficient response to other treatments. Medison is anticipating a decision on a New Drug Application in the third quarter of 2021.

Clinical Stage Programs

Fostamatinib—AIHA

Disease background. Autoimmune hemolytic anemia (AIHA) is a rare, serious blood disorder where the immune system produces antibodies that result in the destruction of the body's own red blood cells. Symptoms can include fatigue, shortness of breath, rapid heartbeat, jaundice or enlarged spleen. While no medical treatments are currently approved for AIHA, physicians generally treat acute and chronic cases of the disorder with corticosteroids, other immuno-suppressants, or splenectomy. Research has shown that inhibiting SYK with fostamatinib may reduce the destruction of red blood cells. This disorder affects an estimated 45,000 Americans, for whom no approved treatment options currently exist.

Orally-available fostamatinib program. We completed our Phase 2 clinical trial, also known as the SOAR study in patients with warm AIHA. This trial was an open-label, multi-center, two-stage study that evaluated the efficacy and safety of fostamatinib in patients with warm AIHA who had previously received treatment for the disorder but have relapsed. The primary efficacy endpoint of this study was to achieve increased hemoglobin levels by week 12 of greater than 10 g/dL, and greater than or equal to 2 g/dL higher than baseline. In November 2019, we announced updated data that in a Phase 2 open-label study of fostamatinib in patients with warm AIHA, data showed that 44% (11/25) of evaluable patients met the primary efficacy endpoint of a Hgb level >10 g/dL with an increase of ≥2 g/dL from baseline by week 24. Including one late responder at week 30, the overall response rate was 48% (12/25). Adverse events were manageable and consistent with those previously reported with fostamatinib.

In March 2019, we initiated our warm AIHA pivotal Phase 3 clinical study of fostamatinib, known as FORWARD study. The clinical trial protocol calls for a placebo-controlled study of approximately 90 patients with primary or secondary warm AIHA who have failed at least one prior treatment. The primary endpoint will be a durable Hgb response, defined as Hgb > 10 g/dL and > 2 g/dL increase from baseline and durability measure, with the response not being attributed to rescue therapy.

In May 2019, we enrolled the first patient in the FORWARD study. Currently, we have enrolled 72 patients of the 90 patients targeted for enrollment. The FORWARD study has over 90 clinical trial sites established across 22 countries and a limited number of clinical trial sites have resumed screening patients after a temporary pause due to the ongoing COVID-19 pandemic. Given the uncertainty of the COVID-19 pandemic, we are experiencing slower than expected enrollment and are unable to provide an update on anticipated enrollment completion.

In November 2020, we reached an agreement with the FDA on the durable response measure for the primary efficacy endpoint of the study as well as the inclusion of additional secondary endpoints. In January 2021, we announced that the FDA had granted Fast Track designation to TAVALISSE for the treatment of warm AIHA. The FDA previously granted TAVALISSE Orphan Drug designation for the treatment of warm AIHA in January 2018.

Fostamatinib—in Hospitalized COVID-19 Patients

Disease background. COVID-19 is the infectious disease caused by Severe Acute Respiratory Syndrome Coronavirus-2 (SARS-CoV-2). SARS-CoV-2 primarily infects the upper and lower respiratory tract and can lead to ARDS. Additionally, some patients develop other organ dysfunction including myocardial injury, acute kidney injury, shock resulting in endothelial dysfunction and subsequently micro and macrovascular thrombosis. Much of the underlying pathology of SARS-CoV-2 is thought to be secondary to a hyperinflammatory immune response associated with increased risk of thrombosis. SYK is involved in the intracellular signaling pathways of many different immune cells. Therefore, SYK inhibition may improve outcomes in patients with COVID-19 via inhibition of key Fc gamma receptor (FcγR) and c-type lectin receptor (CLR) mediated drivers of pathology such as inflammatory cytokine release by monocytes and macrophages, production of NETs by neutrophils, and platelet aggregation. Furthermore, SYK inhibition in neutrophils and platelets may lead to decreased thromboinflammation, alleviating organ dysfunction in critically ill patients with COVID-19.

Orally-available fostamatinib program. In November 2020, we launched a Phase 3 clinical trial to evaluate the safety and efficacy of fostamatinib in hospitalized COVID-19 patients without respiratory failure that have certain high-risk prognostic factors. We were awarded $16.5 million from the U.S. Department of Defense's (DOD) Joint Program Executive Office for Chemical, Biological, Radiological and Nuclear Defense (JPEO-CBRND) to support this Phase 3 clinical trial. This multi-center, double-blind, placebo-controlled, adaptive design study will randomly assign either fostamatinib plus SOC or matched placebo plus SOC (1:1) to approximately 308 evaluable patients. Treatment will be administered orally twice daily for 14 days with follow up to day 60. The primary endpoint of this study is the proportion of subjects who progress to severe/critical disease within 29 days. In addition, our COVID-19 program includes an investigator-sponsored trial currently being conducted by Imperial College London.

In September 2020, we announced a Phase 2 clinical trial to be sponsored by the NIH/NHLBI in order to evaluate the safety of fostamatinib for the treatment of hospitalized COVID-19 patients. This multi-center, double-blind, placebo-controlled study will randomly assign fostamatinib or matched placebo (1:1) to approximately 60 evaluable patients. Treatment will be administered orally twice daily for 14 days. There will be a follow-up period to day 60. The primary endpoint of this study is cumulative incidence of SAE through day 29. The trial also includes multiple secondary endpoints designed to assess the early efficacy and clinically relevant endpoints of disease course. The study completed the enrollment in March 2021 and in April 2021, we announced that this Phase 2 clinical trial met its primary endpoint of safety. Fostamatinib reduced the incidence of SAEs by half. By day 29, there were three SAEs in the fostamatinib plus SOC group of 30 patients compared to six SAEs in the placebo plus SOC group of 29 patients (p=0.23). Of these, there was a reduction for the disease related SAE of hypoxia in the fostamatinib group compared to placebo (1 vs 3, respectively; p=0.29). Based on these data, we are discussing these results with the health authorities, including the FDA, and intend to apply for EUA for fostamatinib for treatment of hospitalized patients with COVID-19.

Key findings from the NIH/NHLBI Phase 2 clinical data readout include:

- At Day 29, in the overall population there were zero deaths in the fostamatinib group of 30 patients compared to three deaths in the placebo group of 29 patients (p=0.07). In more severe patients, those with an ordinal scale assessment of 6 or 7, the difference was zero of nineteen patients compared to three of seventeen patients (p=0.049), respectively.
- There were four intubated patients in the trial on mechanical ventilation (ordinal scale 7) with two patients randomized to each treatment group. Both patients in the fostamatinib group improved within 7 days and came off the ventilator, while both patients in the placebo group deceased.
- Fostamatinib was superior to placebo in accelerating improvement in clinical status by day 15 (mean change -3.6 compared to -2.6, p=0.035) and by day 29 (mean change -4.2 compared to -3.3, p=0.12) using ordinal scale assessments.
- The median number of days in the ICU was reduced by 4 days, from 7 days in the placebo group to 3 days in the fostamatinib group (p=0.07).

- Despite general SOC use of both steroids and remdesivir in all 59 patients, there was a consistently greater reduction in NETosis and other inflammatory biomarkers (CRP, Ferritin, D-Dimer, Fibrinogen) in the fostamatinib group as compared to the placebo group.

In July 2020, we announced a Phase 2 clinical trial sponsored by Imperial College London in order to evaluate the efficacy of fostamatinib for the treatment of COVID-19 pneumonia. This is a two-stage, open label, controlled clinical trial with patients randomized (1:1:1) to fostamatinib plus SOC, ruxolitinib plus SOC, or standard of care alone. Treatment will be administered twice daily for 14 days and patients will receive a follow-up assessment at day 14 and day 28 after the first dose. The primary endpoint of this study is progression from mild to severe COVID-19 pneumonia within 14 days in hospitalized patients. In November 2020, we announced that the Imperial College London-sponsored clinical trial began enrolling patients, and as of the date hereof, there are 112 patients enrolled under this study.

Researchers at MIT and Harvard led a recent screen to identify FDA-approved compounds that reduce MUC1 protein abundance. MUC1 is a biomarker used to predict the development of ALI and ARDS and correlates with poor clinical outcomes. In June 2020, the results were presented. Of the 3,713 compounds that were screened, fostamatinib was the only compound identified which both decreased expression of MUC1 and is FDA approved. Fostamatinib demonstrated preferential depletion of MUC1 from epithelial cells without affecting cell viability. The research was focused on drug repurposing for the much lower risk of toxicity and the ability of FDA-approved treatments to be delivered on a shortened timescale, which is critical for patients afflicted with lung disease resulting from COVID-19.

In addition, recent in vitro studies led by the Amsterdam University Medical Center at the University of Amsterdam, showed that R406, the active metabolite of fostamatinib, blocked macrophage hyperinflammatory responses to a combination of immune complexes formed by anti-Spike IgG in serum from severe COVID-19 patients. Anti-Spike IgG levels are known to correlate with the severity of COVID-19. These results, presented in July 2020, suggest that by inhibiting anti-Spike IgG-mediated hyperinflammation, R406 could potentially play a role in the prevention of cytokine storms as well as pulmonary edema and thrombosis associated with severe COVID-19.

In December 2020, the Journal of Infectious Diseases published research from NIH which demonstrated that R406, the active metabolite of fostamatinib, was able to inhibit NETosis ex vivo in donor plasma from patients with COVID-19. NETosis is a unique type of cell death resulting in the release of NETs. NETs contribute to thromboinflammation and have been associated with mortality in COVID-19. These data provide insights for how fostamatinib may mitigate neutrophil-associated mechanisms contributing to COVID-19 immunopathogenesis.

R835, an Oral IRAK1/4 Inhibitor for Autoimmune, Inflammatory and Hematology-Oncology Diseases

Orally Available IRAK 1/4 Inhibitor Program. During the second quarter of 2018, we selected R835, a proprietary molecule from our IRAK 1/4 preclinical development program, for human clinical trials. This investigational candidate was an orally administered, potent and selective inhibitor of IRAK1 and IRAK4 that blocks inflammatory cytokine production in response to toll-like receptor (TLR) and the interleukin-1 (IL-1R) family receptor signaling. TLRs and IL-1Rs play a critical role in the innate immune response and dysregulation of these pathways can lead to a variety of inflammatory conditions including psoriasis, rheumatoid arthritis, inflammatory bowel disease and gout (among others). R835 prevents cytokine release in response to TLR and IL-1R activation in vitro. R835 is active in multiple rodent models of inflammatory disease including psoriasis, arthritis, lupus, multiple sclerosis and gout. Preclinical studies show that R835 inhibits both the IRAK1 and IRAK4 signaling pathways, which play a key role in inflammation and immune responses to tissue damage. Dual inhibition of IRAK1 and IRAK4 allows for more complete suppression of pro-inflammatory cytokine release.

In October 2019, we announced results from a Phase 1 clinical trial of R835 in healthy subjects to assess safety, tolerability, PK and pharmacodynamics. The Phase 1 study was a randomized, placebo-controlled, double-blind trial in 91 healthy subjects, ages 18 to 55. The Phase 1 trial showed positive tolerability and PK data as well as established proof-of-mechanism by demonstrating the inhibition of inflammatory cytokine production in response to a lipopolysaccharide (LPS) challenge.

We continue to advance the development of our IRAK1/4 program, which includes R835, an orally available, potent and selective inhibitor that inhibits both IRAK1 and IRAK4. We are currently identifying therapeutic opportunities in the areas of hematology/oncology and rare immune diseases. We began the discussions with the FDA regarding initiating a Phase 2 clinical trial in low-risk myelodysplastic syndrome (MDS) and are also in discussions regarding academic medical collaborations in this indication. In rare immune diseases, we are exploring opportunities including palmoplantar pustulosis (PPP), hidradenitis suppurativa (HS), and others.

Partnered Clinical Programs

R548 (ATI-501 and ATI-502) - Aclaris

Aclaris is developing ATI-501 and ATI-502, an oral and topical janus kinase (JAK) 1/3 inhibitor discovered in Rigel's laboratories. ATI- 501 is being developed as an oral treatment for patients with alopecia areata (AA), including the more severe forms of AA that result in total scalp hair loss, known as alopecia totalis (AT), and total hair loss on the scalp and body, known as alopecia universalis (AU).

In December 2018, Aclaris also reported on the enrollment and/or results for a number of Phase 2 studies with ATI-502 for the topical treatment of AA and Vitiligo, including results from its AUATB-201 study.

In June 2019, Aclaris reported positive results from its Phase 2 clinical trial of ATI-502 topical (AGA-201) in patients with androgenetic alopecia (AGA), a condition commonly known as male/female-pattern baldness. There were no treatment-related serious adverse events. Later in June 2019, Aclaris reported that its Phase 2 clinical trial of ATI-502 topical (AA-201) in patients with AA did not meet its endpoints. ATI-502 was observed to be generally well-tolerated. Adverse events were primarily mild or moderate in severity. No treatment-related serious adverse events were reported.

In July 2019, Aclaris announced that ATI-501 achieved statistically significant improvement over placebo in several measures of hair growth, including the primary endpoint and certain secondary endpoints of this trial. ATI-501 was observed to be generally well-tolerated at all doses. There were no serious adverse events reported. All adverse events (AEs) were mild or moderate in severity and rates of AEs were similar across all groups. No thromboembolic events were observed in the trial.

The collaboration agreement with Aclaris was terminated on April 30, 2021.

BGB324 – BerGenBio

BerGenBio is conducting Phase 1/2 studies with BGB324 (bemcentinib), a first-in-class selective AXL kinase inhibitor, as a single agent in relapsed acute myeloid leukemia (AML) and MDS; and in combination with erlotinib (Tarceva®) in advanced (EGFR-positive) non-small-cell lung carcinoma. BerGenBio is also conducting Phase 2 studies with BGB324 in combination with KEYTRUDA® (pembrolizumab) in non-small cell adenocarcinoma of the lung and triple negative breast cancer in collaboration with another company.

In November 2019, BerGenBio showed that the primary endpoint of Overall Response Rate (ORR) had been met in Cohort A of its Phase 2 clinical trial evaluating bemcentinib in combination with KEYTRUDA as a potential new treatment regimen for previously treated advanced non-small cell lung cancer (NSCLC). The primary efficacy endpoint requires that at least 25% evaluable patients achieve a clinical response when treated with the novel drug combination, defined as either complete or partial response, as measured by Response Evaluation Criteria in Solid Tumors (RECIST). A secondary endpoint of median Progression Free Survival (mPFS) reported significant 3-fold improvement in AXL positive vs negative patients, as defined by BerGenBio's composite AXL tumor-immune score.

In December 2019, BerGenBio reported results in combination with low-dose cytarabine (LDAC) in elderly AML patients. The bemcentinib-LDAC combination was safe and well tolerated in elderly AML patients. The overall response rate and duration surpass historical benchmarks and compare favorably to other LDAC combinations.

In April 2020, BerGenBio announced that bemcentinib has been selected as the first potential treatment to be fast-tracked in a new UK national multi-center randomized Phase 2 clinical trial initiative to potentially receive an early indication of bemcentinib's effectiveness in treating the most vulnerable patients with COVID-19.

In June 2020, BerGenBio confirmed dosing the first COVID-19 patient with bemcentinib at the University Hospital Southampton NHS Foundation Trust. The Phase 2 trial has commenced in seven more sites across the UK, with the plan to recruit approximately 120 subjects to assess safety and efficacy of bemcentinib as an add-on therapy to standard of care in approximately 60 hospitalized COVID-19 patients with the other approximately 60 control group patients receiving standard of care. Bemcentinib has exhibited potent anti-viral activity in preclinical models against several enveloped viruses, including Ebola and Zika virus and as of recently, to the COVID-19 virus. Bemcentinib is a small molecule inhibitor that targets a cell-surface protein called AXL, which is one of several cell surface receptors used by enveloped viruses to enter cells. Bemcentinib inhibits virus entry into cells and also prevents inhibition of Type I Interferon, the cell's anti-viral defense mechanism, suggesting potential use in the treatment of COVID-19 infection.

In June 2020, BerGenBio announced positive interim clinical and translational data from Cohort B, stage 1 of the Phase 2 trial (BGBC008) evaluating bemcentinib in combination with Merck & Co.'s Keytruda™ in previously treated NSCLC patients with confirmed progression on prior immune checkpoint therapy. The trial is recruiting patients in the second stage of the cohort.

In July 2020, BerGenBio announced that its first patient was dosed in a trial assessing bemcentinib in recurrent glioblastoma (GBM). The trial is sponsored by Ichiro Nakano, MD, Professor in the Department of Neurosurgery and co-leader of the Neuro-Oncology Program at University of Alabama at Birmingham, and is funded by the National Cancer Institute. This is an open label, multi-center, intra-tumoral tissue PK study of bemcentinib in patients with recurrent GBM for whom a surgical resection is medically indicated. The trial intends to enroll up to 20 recurrent GBM patients, at up to 15 sites in the U.S. The end points of the study include an evaluation of bemcentinib's ability to cross the blood brain barrier, AXL expression, PK, safety and tolerability, as well as efficacy assessments including PFS and Overall Survival.

In October 2020, BerGenBio announced first patient enrolled in Phase 2 trial assessing bemcentinib as a potential treatment for COVID-19 patients in India and South Africa and in December 2020, BerGenBio announced that the first patient has been enrolled with bemcentinib in the UK Research and Innovation (UKRI) funded COVID-19 ACCORD clinical study.

In March 2021, BerGenBio announced that it has closed recruitment into the company sponsored randomised Phase 2 clinical trial (BGBC020), assessing the efficacy and safety of bemcentinib for the treatment of hospitalized COVID-19 patients in South Africa and India. Further, BerGenBio announced that the effect of bemcentinib demonstrated potent antiviral effects in preclinical SARS-CoV-2 and other coronavirus models. Further, the findings supported BerGenBio's ongoing Phase 2 trial evaluating bemcentinib for the treatment of hospitalized COVID-19 patients in South Africa and India.

In April 2021, BerGenBio announced thatBGBC020 completed 96% of its targeted enrolment with a total of 115 patients participating (60 in India and 55 in South Africa, with 58 receiving bemcentinib). Throughout the study, bemcentinib was well tolerated by patients and no safety signals of concern were reported.

DS-3032 - Daiichi

DS-3032 is an investigational oral selective inhibitor of the murine double minute 2 (MDM2) protein currently being investigated by Daiichi in three Phase 1 clinical trials for solid and hematological malignancies including AML, acute lymphocytic leukemia, chronic myeloid leukemia in blast phase, lymphoma and MDS.

Preliminary safety and efficacy data from a Phase 1 study of DS-3032 suggests that DS-3032 may be a promising treatment for hematological malignancies including relapsed/refractory AML and high-risk MDS. Evaluation of additional dosing schedules of DS-3032 is underway and combination studies with fostamatinib are currently being conducted by Daiichi.

In September 2020, worldwide rights to DS-3032 were out-licensed from Daiichi to Rain Therapeutics Inc.

AZ-D0449 – AZ

AZ is currently conducting a Phase 1 study in healthy volunteers and patients with mild asthma to investigate the safety, anti-inflammatory effect of inhaled AZ-D0449. The study, which follows the single and multiple ascending doses, is currently recruiting patients.

Research/Preclinical Programs

We are conducting proprietary research in the broad disease areas of inflammation/immunology, immuno-oncology and cancers. Within these disease areas, our researchers are investigating mechanisms of action as well as screening compounds against potential novel targets and optimizing those leads that appear to have the greatest potential.

Commercialization and Sponsored Research and License Agreements

For a discussion of our Commercialization and Sponsored Research and License Agreements, see Note 8 to our "Notes to Condensed Financial Statements" contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Three Months Ended March 31, 2021 and 2020

Revenues

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
		(in thousands)	
Product sales, net	$ 12,376	$ 12,680	$ (304)
Contract revenues from collaborations	65,642	43,081	22,561
Government contract	3,000	—	3,000
Total revenues	$ 81,018	$ 55,761	$ 25,257

The following table summarizes the percentages of revenues from each of our customers who individually accounted for 10% or more (wherein * denotes less than 10%) of the total net product sales and revenues from collaborations:

	March 31,	
	2021	2020
Lilly	78%	—
Grifols	*	77%
ASD Healthcare and Oncology Supply	*	12%

Product sales during the three months ended March 31, 2021 and 2020 were related to sales of TAVALISSE in the U.S. TAVALISSE has been prescribed across all lines of therapy in steroid refractory patients in ITP. It has been utilized by an increasingly broad base of prescribers and community physicians, with growing early line use and continued strong refill rates. We recognize product sales, net of discounts and allowances. For the three months ended March 31, 2021, net product sales decreased by 2% compared to the same period in 2020 mainly due to continuing impacts of the COVID-19 pandemic as well as the typical first quarter reimbursement issues such as the resetting of co-pays and the Medicare donut hole, along with physician and patient access issues created by the COVID-19 pandemic. Incrementally, our net product sales were negatively impacted by the decrease in level of inventories remaining at our distribution channels.

Contract revenues from collaborations of $65.6 million in the three months ended March 31, 2021 is comprised of $60.6 million revenue related to our license agreement with Lilly, $4.0 million revenue related to grant of non-exclusive license of a certain patent to an unrelated third-party company, and $1.0 million revenue for the delivery of drug supply under our collaboration agreement with Grifols. Contract revenues from collaborations of $43.1 million in the three months ended March 31, 2020 pertained to the revenue from upfront fee we previously received from Grifols in the first quarter of 2019, as well as the milestone payment received from Grifols in the first quarter of 2020 upon EC approval of the MAA for fostamatinib in Europe.

Government contract revenue was related to the income we recognized from the $16.5 million government award granted to us, pursuant to the agreement we entered in January 2021 with the U.S. Department of Defense to support our ongoing Phase 3 clinical trial to evaluate the safety and efficacy of fostamatinib in hospitalized COVID-19 patients. We expect to receive the remaining award of $13.5 million and will recognize as income throughout the period we conduct our clinical trial, when there is reasonable assurance that the conditions of the grant will be met, and the grant will be received.

Our potential future revenues may include product sales from TAVALISSE, payments from our current partners and from new partners with whom we enter into agreements in the future, if any, the timing and amount of which is unknown at this time. We cannot currently fully forecast the extent of the impacts that the COVID-19 pandemic may have on our product sales. As of March 31, 2021, we had deferred revenues of $9.5 million which we will recognize as revenue upon satisfaction of our remaining performance obligations under our collaboration agreements with Lilly, Grifols and Kissei.

Cost of Product Sales

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
		(in thousands)	
Cost of product sales	$ 316	$ 155	$ 161

The cost of product sales during the three months ended March 31, 2021 and 2020 were related to our product, TAVALISSE. Prior to the FDA approval, manufacturing and related costs were charged to research and development expense. Therefore, these costs were not capitalized and as a result, are not fully reflected in the costs of product sales during the three months ended March 31, 2021 and 2020. We will continue to have a lower cost of product sales that excludes the cost of the active pharmaceutical ingredient (API) that was produced prior to FDA approval until we sell TAVALISSE that includes newly manufactured API. We expect that this will be the case for the near-term and as a result, our cost of product sales will be less than we anticipate it will be in future periods. As we produce TAVALISSE in the future, our inventory cost in the Balance Sheet and Cost of Product Sales will increase reflecting the full cost of manufacturing. The increase in cost of product sales during the three months ended March 31, 2021 compared to the same period in 2020 was mainly due to the delivery of drug supply to Grifols for its commercialization in the current quarter.

Research and Development Expense

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
		(in thousands)	
Research and development expense	$ 16,826	$ 16,149	$ 677
Stock-based compensation expense included in research and development expense	$ 586	$ 694	$ (108)

The increase in research and development expense for the three months ended March 31, 2021, compared to the same period in 2020, was primarily due to the increase in research and development costs related to our ongoing Phase 3 clinical trial on hospitalized COVID-19 patients of $3.5 million and development of our IRAK 1/4 inhibitor program of $576,000, partially offset by decrease due to the completion of Phase 1 clinical trial in our RIP 1 inhibitor program of $3.0 million, research-related supplies of $126,000, stock-based compensation of $108,000 and various other costs of $175,000.

We expect our research and development expense in 2021 to increase as we continue our activities in our Phase 3 warm AIHA and COVID-19 studies. We have resumed new patient enrollment in certain clinical trial sites for our FORWARD study for warm AIHA and we expect to continue to incur expenses in managing the study and expenses related to measures to implement remote and virtual approaches, including delays in new patient enrollment, remote patient monitoring and other alternative course of actions to maintain our study in warm AIHA. We have also recently initiated our Phase 3 clinical trial in hospitalized COVID-19 patients and expect to continue to enroll patients in 2021. The $16.5 million grant awarded by the Department of Defense in January 2021 will partially fund our Phase 3 clinical trial for hospitalized COVID-19 patients. We cannot currently fully forecast the scope the evolving effects of COVID-19 pandemic may have on our ability to continue to treat patients enrolled in our trials, enroll and assess new patients, supply study drug, obtain complete data points in accordance with the study protocol, and overall impact on, and timing of, clinical study results.

Our research and development expenditures include costs related to preclinical and clinical trials, scientific personnel, supplies, equipment, consultants, sponsored research, stock-based compensation, and allocated facility costs.

We do not track fully burdened research and development costs separately for each of our drug candidates. We review our research and development expenses by focusing on three categories: research, development, and other. Our research team is focused on creating a portfolio of product candidates that can be developed into small molecule therapeutics in our own proprietary programs or with potential collaborative partners and utilizes our robust discovery engine to rapidly discover and validate new product candidates in our focused range of therapeutic indications. “Research” expenses relate primarily to personnel expenses, lab supplies, fees to third party research consultants and compounds. Our development group leads the implementation of our clinical and regulatory strategies and prioritizes disease indications in which our compounds may be studied in clinical trials. “Development” expenses relate primarily to clinical trials, personnel expenses, costs related to the submission and management of our NDA, lab supplies and fees to third party research consultants. “Other” expenses primarily consist of allocated facilities costs and allocated stock-based compensation expense relating to personnel in research and development groups.

In addition to reviewing the three categories of research and development expenses described in the preceding paragraph, we principally consider qualitative factors in making decisions regarding our research and development programs, which include enrollment in clinical trials and the results thereof, the clinical and commercial potential for our drug candidates and competitive dynamics. We also make our research and development decisions in the context of our overall business strategy, which includes the evaluation of potential collaborations for the development of our drug candidates.

We do not have reliable estimates regarding the timing of our clinical trials. Preclinical testing and clinical development are long, expensive and uncertain processes. In general, biopharmaceutical development involves a series of steps, beginning with identification of a potential target and including, among others, proof of concept in animals and Phase 1, 2 and 3 clinical trials in humans. Significant delays in clinical testing could materially impact our product development costs and timing of completion of the clinical trials. We do not know whether planned clinical trials will begin on time, will need to be halted or revamped or will be completed on schedule, or at all. Clinical trials can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a trial, delays from scale up, delays in reaching agreement on acceptable clinical trial agreement terms with prospective clinical sites, delays in obtaining institutional review board approval to conduct a clinical trial at a prospective clinical site or delays in recruiting subjects to participate in a clinical trial.

We currently do not have reliable estimates of total costs for a particular drug candidate to reach the market. Our potential products are subject to a lengthy and uncertain regulatory process that may involve unanticipated additional clinical trials and may not result in receipt of the necessary regulatory approvals. Failure to receive the necessary regulatory approvals would prevent us from commercializing the product candidates affected. In addition, clinical trials of our potential products may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

The following table presents our total research and development expense by category (in thousands).

	Three Months Ended March 31,		From January 1, 2007* to March 31, 2021
	2021	2020	
Categories:			
Research	$ 2,482	$ 2,675	$ 258,519
Development	12,255	11,241	460,017
Other	2,089	2,233	257,040
	$ 16,826	$ 16,149	$ 975,576

* We started tracking research and development expense by category on January 1, 2007.

"Other" expenses mainly represent allocated facilities costs of approximately $1.5 million for each of the three months ended March 31, 2021 and 2020, and allocated stock-based compensation expense of approximately $586,000 and $694,000 for the three months ended March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021, a major portion of our total research and development expense was associated with our COVID-19, AIHA and IRAK programs, personnel-related costs of our research and development personnel and allocated facilities costs.

For the three months ended March 31, 2020, a major portion of our total research and development expense was associated with our AIHA, RIP1, and IRAK programs, personnel-related costs of our research and development personnel and allocated facilities costs.

Selling, General and Administrative Expense

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
		(in thousands)	
Selling, general and administrative expense	$ 22,121	$ 18,430	$ 3,691
Stock-based compensation expense included in selling, general and administrative expense	$ 2,053	$ 1,330	$ 723

The increase in selling, general and administrative expense for the three months ended March 31, 2021 compared to the same period in 2020 was primarily due to the increases in costs of consultants and third-party services of $1.3 million, personnel-related costs of $1.2 million, stock-based compensation of $723,000 and professional fees of $614,000, partly offset by decreases in commercial activities and other various costs of $146,000.

We expect our selling, general and administrative expense in 2021 to increase as we continue to expand our commercial activities for TAVALISSE, and assuming we will be able to resume in-person office visits and live engagements with healthcare providers. In response to the limitations on in-person office visits during the ongoing COVID-19 pandemic, we continue to deploy resources to enable our field-based employees to continue to engage virtually with healthcare providers. These virtual engagements have enabled our field team to support existing prescribers as well as partner with new prescribers to identify appropriate patients for TAVALISSE. However, we are not currently able to fully forecast the scope of impacts that the COVID-19 pandemic may have on our commercial activities and sales of TAVALISSE.

Interest Income

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
	(in thousands)		
Interest income	$ 1	$ 358	$ (357)

Interest income results from our interest-bearing cash and investment balances. The decreases in interest income for the three months ended March 31, 2021 as compared to the same period in 2020 were primarily due to decrease in yield on our investments.

Interest Expense

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
	(in thousands)		
Interest expense	$ (485)	$ (142)	$ (343)

Interest expense for the three months ended March 31, 2021 and 2020 was related to the outstanding balance on our term loan from Midcap. The increase in interest expense in the three months ended March 31, 2021 compared with the same period in 2020 was due to the increase in the outstanding term loan credit balance. The principal balance of loan as of March 31, 2020 was the initial $10.0 million under Tranche 1. In May 2020, we accessed the Tranche 2 for an additional $10.0 million.

Provision for Income Taxes

	Three Months Ended March 31,		Aggregate Change
	2021	2020	
	(in thousands)		
Provision for income taxes	$ 1,771	$ —	$ 1,771

The quarterly provision for or benefit from income taxes is based on applying the estimated annual effective tax rate to the year-to-date pre-tax income (loss), plus any discrete items. We update our estimate of our annual effective tax rate at the end of each quarterly period. The estimate considers annual forecasted income (loss) before income taxes and any significant permanent tax items. The provision for income taxes for the three months ended March 31, 2021 was primarily related to state tax on our pre-tax book income. We estimated a state tax liability over our forecasted pre-tax income for 2021, primarily due to revenue recognized for the Lilly agreement. We do not expect to owe federal income taxes due to the sufficient net operating loss carryforwards that were generated prior to the enactment of the Tax Cuts and Jobs Act, as well as significant research and development credit carryforwards. Although we are projecting book income for 2021, we continue to record a full valuation allowance on our deferred tax assets considering our cumulative losses in prior years and forecasted losses in the future. For the three months ended March 31, 2020, we did not record provision for income taxes due to our pre-tax book loss.

Critical Accounting Policies and the Use of Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including any potential impact of the COVID-19 pandemic to the carrying values of our assets and liabilities, those related to revenue recognition on product sales and collaboration agreements, recoverability of our assets, including accounts receivables and inventories, stock-based compensation, the probability of achievement of corporate performance-based milestone for our performance-based stock option awards, impairment issues, the estimated useful life of assets, estimated accruals, particularly research and development accruals, estimates related our valuation of the operating lease right-of-use asset and lease liability, including the incremental borrowing rate used, and net present value of our liability related to our share in the development costs under the Lilly agreement, including the applicable discount rate. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that there have been no significant changes in our critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC.

Recent Accounting Pronouncements

We adopted ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes,* in the first quarter of 2021. See "Note 3" to our "Notes to Condensed Financial Statements" contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for related discussions on our adoption of the recent accounting pronouncement. Additionally, we continue to evaluate accounting standards that were recently issued but not yet adopted, as applicable.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through sales of equity securities, contract payments under our collaboration agreements and from sales of TAVALISSE beginning in May 2018. We have consumed substantial amounts of capital to date as we continue our research and development activities, including preclinical studies and clinical trials and our ongoing commercial launch of TAVALISSE.

As of March 31, 2021, we had approximately $39.3 million in cash, cash equivalents and short-term investments, as compared to approximately $57.3 million as of December 31, 2020. The decrease of approximately $18.0 million was primarily attributable to the cash used in our operating activities.

In February 2021, we entered into a global exclusive license agreement with Lilly to develop and commercialize R552, wherein we were entitled to receive a non-refundable and non-creditable upfront cash payment of $125.0 million, which we subsequently received in April 2021, and may also be eligible for potential development, regulatory, and commercial milestone payments totaling up to an additional $835.0 million, as well as tiered royalties on net sales of non-CNS and CNS disease products up to low-double digits that will vary depending upon our clinical development investment. In January 2021, we were awarded $16.5 million by the U.S. Department of Defense to support our ongoing Phase 3 clinical trial to evaluate the safety and efficacy of fostamatinib in hospitalized COVID-19 patients. Under the agreement with the U.S. Department of Defense, we are entitled to receive such award based on the agreed-upon payment schedule, dependent on certain triggering events. During the three months ended March 31, 2021, we recognized income from the awards from the U.S. Department of Defense of $3.0 million. We expect to receive the remaining awards of $13.5 million throughout the period of which we conduct our clinical trial, subject to us meeting certain clinical trial events or milestones and approval by the U.S. Department of Defense as specified in the agreement.

In February 2021, we entered into a non-exclusive license agreement with an unrelated third party whereby we granted such unrelated third-party rights to a certain patent. In consideration for the license rights granted, we received a one-time fee of $4.0 million.

See further discussions of our Commercialization and Sponsored Research and License Agreements and Government Grants in Note 8 to our "Notes to Condensed Financial Statements" contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As of March 31, 2021, we have principal term loan outstanding with MidCap amounting to $20.0 million, pursuant to the Credit and Security Agreement (Credit Agreement) we entered in September 2019. The Credit Agreement provides for $60.0 million term loan credit facility. To date, the credit facility provides us with access for an additional $40.0 million term loan subject to the achievement of certain customary conditions. In August 2020, we entered into an Open Market Sale Agreement with Jefferies LLC, as a sole agent, pursuant to which we may sell from time to time, through Jefferies, shares of our common stock having an aggregate offering price of up to $65.0 million. As of March 31, 2021, we have not yet sold any shares under the Open Market Sale Agreement.

We have a sublease agreement originally entered in December 2014, amended in February 2017 and July 2017, with an unrelated third party to occupy a portion of our research and office space which expire in January 2023. As of March 31, 2021, we expect to receive approximately $8.5 million in future sublease income (excluding our subtenant's share of facility's operating expenses) through January 2023.

We believe that our existing capital resources will be sufficient to support our current and projected funding requirements, including the continued commercial launch of TAVALISSE in the U.S., through at least the next 12 months from the Form 10-Q filing date. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with commercializing a product, the development of our product candidates and other research and development activities, we are unable to estimate with certainty our future product revenues, our revenues from our current and future collaborative partners, the amounts of increased capital outlays and operating expenditures associated with our current and anticipated clinical trials and other research and development activities.

Our operations will require significant additional funding for the foreseeable future. Unless and until we are able to generate a sufficient amount of product, royalty or milestone revenue, we expect to opportunistically finance future cash needs through public and/or private offerings of equity securities, debt financings and/or collaboration and licensing arrangements, and to a much lesser extent through the proceeds from exercise of stock options and interest income earned on the investment of our excess cash balances and short-term investments. However, the COVID-19 pandemic continues to rapidly evolve and has already resulted in a significant disruption of global financial markets. Our ability to raise additional capital may be adversely impacted by potential worsening of global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the U.S. and worldwide resulting from the pandemic. If the disruption persists and deepens, we could experience an inability to access additional capital, which could in the future negatively affect our capacity for certain corporate development transactions or our ability to make important, opportunistic investments. In addition, any additional capital we raise by issuing equity securities, our stockholders could at that time experience substantial dilution. Our current credit facility with MidCap and any debt financing that we are able to obtain in the future may involve operating covenants that may restrict our business. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some of our rights to our technologies or product candidates or grant licenses on terms that are not favorable to us.

Our future funding requirements will depend upon many factors, including, but not limited to:

- the ongoing costs to commercialize TAVALISSE for the treatment of ITP in the U.S., or any other future product candidates, if any such candidate receives regulatory approval for commercial sale;
- the progress and success of our clinical trials and preclinical activities (including studies and manufacture of materials) of our product candidates conducted by us;
- our ability to meet operating covenants under our current and future credit facilities, if any;
- our ability to enter into partnering opportunities across our pipeline within and outside the U.S.;
- the costs and timing of regulatory filings and approvals by us and our collaborators;

- the progress of research and development programs carried out by us and our collaborative partners;
- any changes in the breadth of our research and development programs;
- the ability to achieve the events identified in our collaborative agreements that may trigger payments to us from our collaboration partners;
- our ability to acquire or license other technologies or compounds that we may seek to pursue;
- our ability to manage our growth;
- competing technological and market developments;
- the costs and timing of obtaining, enforcing and defending our patent and other intellectual property rights; and
- expenses associated with any unforeseen litigation, including any arbitration and securities class action lawsuits.

Insufficient funds may require us to delay, scale back or eliminate some or all of our commercial efforts and/or research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

As of March 31, 2021 and December 31, 2020, we maintained an investment portfolio primarily in money market funds, U.S. treasury bills, government-sponsored enterprise securities, and corporate bonds and commercial paper. Cash in excess of immediate requirements is invested with regard to liquidity and capital preservation. Wherever possible, we seek to minimize the potential effects of concentration and degrees of risk. We will continue to monitor the impact of the changes in the conditions of the credit and financial markets to our investment portfolio and assess if future changes in our investment strategy are necessary.

Cash Flows from Operating, Investing and Financing Activities

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net cash provided by (used in):		
Operating activities	$ (19,955)	$ (3,093)
Investing activities	7,532	24,461
Financing activities	2,097	1,336
Net (decrease) increase in cash and cash equivalents	$ (10,326)	$ 22,704

Net cash used in operating activities was approximately $20.0 million for the three months ended March 31, 2021, compared to approximately $3.1 million for the three months ended March 31, 2020. Net cash used in operating activities for the three months ended March 31, 2021 was primarily related to payments of our research and development programs and other operating expenses, partially offset by the proceeds from sales of TAVALISSE, cash received related to a non-exclusive license agreement with an unrelated third party of $4.0 million, cash received from the awards granted by the U.S. Department of Defense of $2.0 million and cash received from Grifols of $1.0 million for a delivery of drug supply for its commercialization. Net cash used in operating activities for the three months ended March 31, 2020 was primarily related to cash payments for our research and development programs and other operating expenses, partially offset by the $20.0 million payment received from Grifols and proceeds from sale of TAVALISSE.

Net cash provided by investing activities was approximately $7.5 million for the three months ended March 31, 2021, compared to net cash used in investing activities of approximately $24.4 million for the three months ended March 31, 2020. Net cash provided by investing activities during the three months ended March 31, 2021 related to net maturities of short-term investments of $7.6 million, partially offset by capital expenditures. Net cash provided by investing activities during the three months ended March 31, 2020 related to net maturities of short-term investments of $25.1 million, partially offset by capital expenditures.

Net cash provided by financing activities was approximately $2.1 million for the three months ended March 31, 2021, compared to approximately $1.3 million for the three months ended March 31, 2020. Net cash provided by financing activities for the three months ended March 31, 2021 and 2020 were related to the proceeds from exercise of stock options.

Off-Balance Sheet Arrangements

As of March 31, 2021, we had no off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act).

Contractual Obligations

We conduct our commercial activities and research and development programs internally and through third parties that include, among others, arrangements with vendors, consultants, contract research organizations (CRO) and universities. We have contractual arrangements with these parties, however our contracts with them are cancelable generally on reasonable notice within one year and our obligations under these contracts are primarily based on services performed. We do not have any purchase commitments under any collaboration arrangements.

We have agreements with certain clinical research organizations to conduct our clinical trials and with third parties relative to our commercialization of TAVALISSE. The timing of payments for any amounts owed under the respective agreements will depend on various factors including, but not limited to, patient enrollment and other progress of the clinical trial and various activities related to commercial launch. We will continue to enter into contracts in the normal course of business with various third parties who support our clinical trials, support our preclinical research studies, and provide other services related to our operating purposes as well as our commercial launch of TAVALISSE. We can terminate these agreements at any time, and if terminated, we would not be liable for the full amount of the respective agreements. Instead, we will be liable for services provided through the termination date plus certain cancellation charges, if any, as defined in each of the respective agreements. In addition, these agreements may, from time to time, be subjected to amendments as a result of any change orders executed by the parties. As of March 31, 2021, we do not have material contractual commitments with respect to the arrangements discussed above, but we had the following contractual commitments related to our facilities lease and credit facility:

	Payment Due By Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Facilities lease (1)	$ 18,948	$ 10,182	$ 8,766	$ —	$ —
Credit facility with MidCap (2)	22,917	4,715	14,803	3,400	—
Total	$ 41,865	$ 14,897	$ 23,569	$ 3,400	$ —

(1) In December 2014, we entered into a sublease agreement, which was amended in 2017, with an unrelated third party to lease up a portion of the research and office space. The facilities lease obligations above do not include the sublease income of approximately $8.5 million which we expect to receive over the term of the sublease through January 2023.

(2) In September 2019, we entered into a Credit Agreement with MidCap. We received funding for the first tranche of $10.0 million. In March 2020, we accessed the second $10.0 million tranche from our term loan credit facility with MidCap which we received in May 2020. Under the agreement, we are obligated to make interest payments at an annual rate of one-month LIBOR plus 5.65% for the first 24 months and the interest plus principal amortization for the next 36 months. We will be obligated to pay administrative fees annually and a final fee upon final payment. Our Credit Agreement provides us an option to extend the principal amortization of our outstanding loan subject to certain conditions. Subject to us providing the evidence that we met the extension conditions and approval of MidCap, the extended amortization start date shall be the earlier of October 1, 2022 if we satisfy the first extension condition but fails to satisfy the second extension condition, or October 1, 2023 if we satisfy both first and second extension conditions.

As discussed in detail in Note 8 of Notes to Condensed Financial Statement, pursuant to our global exclusive license agreement and strategic collaboration agreement with Lilly, we are responsible for funding the development costs for R552 in the U.S., Europe, and Japan, up to $65.0 million through April 1, 2024. We have the right to opt-out of co-funding of development costs at two different specified times. If we decide not to exercise our opt-out rights, we will be required to share in global development costs up to certain amounts at a specified cap, specified in the agreement.

We are also subject to claims related to the patent protection of certain of our technologies, as well as purported securities class action lawsuit, other litigations, and other contractual agreements. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended March 31, 2021, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), our chief executive officer (who serves as our principal executive officer) and our chief financial officer (who serves as our principal financial officer) have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Controls. There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In evaluating our business, you should carefully consider the following risks, as well as the other information contained in this Quarterly Report on Form 10-Q. These risk factors could cause our actual results to differ materially from those contained in forward-looking statements we have made in this Quarterly Report on Form 10-Q and those we may make from time to time. If any of the following risks actually occurs, our business, financial condition and operating results could be harmed. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business.

We have marked with an asterisk (*) those risk factors below that reflect a substantive change from the risk factors included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2021.

Risk Factor Summary

- Our prospects are highly dependent on our first commercial product, TAVALISSE (fostamatinib disodium hexahydrate). To the extent that the commercial success of TAVALISSE in the United States is diminished or is not commercially successful, our business, financial condition and results of operations may be adversely affected, and the price of our common stock may decline.
- Our business is currently adversely affected and could be materially and adversely affected in the future by the evolving effects of the COVID-19 pandemic as a result of the current and potential future impacts on our sales force and commercialization efforts, supply chain, regulatory, clinical development and corporate development activities and other business operations, in addition to the impact of a global economic slowdown.
- Even if we, or any of our collaborative partners, are able to continue to commercialize TAVALISSE or any product candidate that we, or they, develop, the product may become subject to unfavorable pricing regulations, third-party payor reimbursement practices or labeling restrictions, any of which could harm our business.
- If we are unable to successfully market and distribute TAVALISSE and retain experienced sales force, our business will be substantially harmed.
- We are subject to stringent and evolving data privacy and information security laws, regulations, rules, policies and contractual obligations, and changes in such laws, regulations, rules, policies, contractual obligations and our actual or perceived failure to comply with such requirements could subject us to significant investigations, fines, penalties, and claims, any of which may have a material adverse effect on our business, financial condition, results of operations or prospects.
- If manufacturers obtain approval for generic versions of TAVALISSE, or of products with which we compete, our business may be harmed.
- Unforeseen safety issues could emerge with TAVALISSE that could require us to change the prescribing information to add warnings, limit use of the product, and/or result in litigation. Any of these events could have a negative impact on our business.
- We rely and may continue to rely on two distribution facilities for the sale of TAVALISSE and potential sale of any of our product candidates.
- We lack the capability to manufacture compounds for clinical development and we intend to rely on third parties for commercial supply, manufacturing and distribution if any of our product candidates which receive regulatory approval and we may be unable to obtain required material or product in a timely manner, at an acceptable cost or at a quality level required to receive regulatory approval.

- We might not be able to successfully develop or commercialize our product candidates if problems arise in the clinical testing and approval process. There is a high risk that drug discovery and development efforts might not generate successful product candidates.

- Any product for which we have obtained regulatory approval, or for which we obtain approval in the future, is subject to, or will be subject to, extensive ongoing regulatory requirements by the FDA, EMA and other comparable regulatory authorities, and if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, we may be subject to penalties, we will be unable to generate revenue from the sale of such products, our potential for generating positive cash flow will be diminished, and the capital necessary to fund our operations will be increased.

- If our corporate collaborations or license agreements are unsuccessful, or if we fail to form new corporate collaborations or license agreements, our research and development efforts could be delayed.

- Our success is dependent on intellectual property rights held by us and third parties, and our interest in such rights is complex and uncertain.

- If a dispute arises regarding the infringement or misappropriation of the proprietary rights of others, such dispute could be costly and result in delays in our research and development activities and partnering.

- If our competitors develop technologies that are more effective than ours, our commercial opportunity will be reduced or eliminated.

- If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit commercialization of our products.

Risks Related to Our Business and Our Industry

Our prospects are highly dependent on our first commercial product, TAVALISSE (fostamatinib disodium hexahydrate). To the extent that the commercial success of TAVALISSE in the United States is diminished or is not commercially successful, our business, financial condition and results of operations may be adversely affected, and the price of our common stock may decline. *

TAVALISSE is our only drug that has been approved for sale in the United States and Europe for patients with chronic ITP. We are focusing a significant portion of our activities and resources on fostamatinib, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to sustain successful commercialization of TAVALISSE in the United States. We have entered into an exclusive commercialization agreement with Grifols to commercialize fostamatinib in Europe.

Sustained successful commercialization of TAVALISSE is subject to many risks and uncertainties, including the impact of the COVID-19 pandemic on the successful commercialization in the United States, as well as the successful commercialization efforts for TAVLESSE in Europe through our partner, Grifols. Prior to TAVALISSE, we have never, as an organization, launched or commercialized a product, and there is no guarantee that we will be able to continue to do so successfully with fostamatinib for its approved indication. In addition, our partner, Grifols, is responsible for the commercial launch of TAVLESSE in Europe. Although Grifols launched TAVLESSE in Germany and the UK in July 2020, we cannot be certain if Grifols will be successful in launching TAVLESSE in Italy, Spain and France, and additional territories in Europe that it may pursue, or continue to be successful in commercializing and marketing in any such regions, including Germany and the UK. There are numerous examples of unsuccessful product launches and failures to meet high expectations of market potential, including by pharmaceutical companies with more experience and resources than us.

As we continue to build out our commercial team, there are many factors that could cause the commercialization of TAVALISSE to be unsuccessful, including a number of factors that are outside our control. The commercial success of TAVALISSE depends on the extent to which patients and physicians accept and adopt TAVALISSE for patients with chronic ITP who have had an insufficient response to a previous treatment. We also do not know how physicians, patients and payors will respond to our future price increases of TAVALISSE. Physicians may not prescribe TAVALISSE and patients may be unwilling to use TAVALISSE if coverage is not provided or reimbursement is inadequate to cover a significant portion of the cost. TAVALISSE competes, and may in the future compete, with currently existing therapies, including generic drugs, and products currently under development. Our competitors, particularly large pharmaceutical companies, may deploy more resources to market, sell and distribute their products. If our efforts are not appropriately resourced to adequately promote our products, the commercial potential of our sales may be diminished. Additionally, any negative development for fostamatinib in clinical development in additional indications, such as in the clinical trials of fostamatinib in COVID-19 patients, may adversely impact the commercial results and potential of fostamatinib. Thus, significant uncertainty remains regarding the commercial potential of fostamatinib.

Market acceptance of fostamatinib will depend on a number of factors, including:

- the timing of market introduction of the product as well as competitive products;
- the clinical indications for which the product is approved;
- acceptance by physicians, the medical community and patients of the product as a safe and effective treatment;
- impacts due to the evolving effects of the COVID-19 pandemic;
- the ability to distinguish safety and efficacy from existing, less expensive generic alternative therapies, if any;
- the convenience of prescribing, administrating and initiating patients on the product and the length of time the patient is on the product;
- the potential and perceived value and advantages of the product over alternative treatments;
- the cost of treatment in relation to alternative treatments, including any similar generic treatments;
- pricing and the availability of coverage and adequate reimbursement by third-party payors and government authorities;
- the prevalence and severity of adverse side effects; and
- the effectiveness of sales and marketing efforts.

If we are unable to sustain anticipated level of sales growth from TAVALISSE, or if we fail to achieve anticipated product royalties and collaboration milestones, we may need to reduce our operating expenses, access other sources of cash or otherwise modify our business plans, which could have a negative impact on our business, financial condition and results of operations. For example, during the first quarter of 2021, we experienced lower than anticipated sales of TAVALISSE due to continuing impacts of the COVID-19 pandemic as well as the typical first quarter reimbursement issues such as the resetting of co-pays and the Medicare donut hole, along with physician and patient access issues created by the COVID-19 pandemic. Incrementally, our net product sales were negatively impacted by the decrease in level of inventories remaining at our distribution channels.

We also may not be successful entering into arrangements with third parties to sell and market one or more of our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, including Kissei's development and commercialization of fostamatinib in all indications in Japan, China, Taiwan, and the Republic of Korea, Grifols' commercialization of fostamatinib in Europe and Turkey and Medison for future commercialization of fostamatinib in Canada and Israel. As a consequence of our license agreements with Kissei, Grifols and Medison, we rely heavily upon their regulatory, commercial, medical affairs, market access and other expertise and resources for commercialization of TAVALISSE in their respective territories outside of the United States. We cannot control the amount of resources that our partners dedicate to the commercialization of TAVALISSE, and our ability to generate revenues from the commercialization of TAVALISSE by our partners depends on their ability to achieve market acceptance of TAVALISSE in its approved indications in their respective territories.

Furthermore, foreign sales of TAVALISSE by our partners could be adversely affected by the imposition of governmental controls, political and economic instability, outbreaks of pandemic diseases, such as the COVID-19 pandemic, trade restrictions or barriers and changes in tariffs, and escalating global trade and political tensions. For example, the ongoing COVID-19 pandemic has resulted in increased travel restrictions and extended shutdowns of certain businesses in the U.S. and around the world. If our collaborators are unable to successfully complete clinical trials, delay commercialization of TAVALISSE or do not invest the resources necessary to successfully commercialize TAVALISSE in international territories where it has been approved, this could reduce the amount of revenue we are due to receive under these license agreements, resulting in harm to our business and operations. If we do not establish and maintain sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

Our business is currently adversely affected and could be materially and adversely affected in the future by the evolving effects of the COVID-19 pandemic as a result of the current and potential future impacts on our sales force and commercialization efforts, supply chain, regulatory, clinical development and corporate development activities and other business operations, in addition to the impact of a global economic slowdown.*

The COVID-19 pandemic has resulted in extended travel and other restrictions in order to reduce the spread of the disease. Several states and counties across the country including California and San Francisco Bay Area had issued orders and restrictions that includes directing individuals to shelter in place, prohibit certain non-essential gatherings, directing business and governmental agencies to cease non-essential operations at physical locations and cessation of non-essential travels. Although certain states and counties had eased restrictions as the number of COVID-19 cases decline, the resurgence of the COVID-19 cases could force the states and counties to order restrictions to reduce the spread of the disease. The evolving effects of the COVID-19 pandemic and government measures taken in response have had a significant impact, both direct and indirect, on businesses and commerce, as significant reductions in business related activities have occurred, supply chains have been disrupted, and manufacturing and clinical development activities have been curtailed or suspended.

In response to these public health directives and orders, we previously implemented work-from-home policies for certain employees and closed our office in South San Francisco requiring most of our personnel, including our administrative employees to work remotely, restricted on-site staff to only those personnel performing essential activities. Our continued reliance on personnel working from home may negatively impact productivity, disrupt, delay, or otherwise adversely impact our business. In addition, with most of our employees continuing to work remotely, our exposure to cybersecurity risk has increased. This also creates data accessibility concerns and make us more susceptible to communication disruptions. The effects of the executive order, the shelter-in-place order, our work-from-home policies and resulting disruptions may negatively impact productivity, disrupt our business and delay our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results and financial condition.

Since the COVID-19 pandemic was declared, we continued to observe reduced patient-doctor interactions and our representatives are having fewer visits with health care providers, which negatively affected our product sales and may continue to negatively affect our product sales in the future. Physicians with practices severely impacted by the COVID-19 pandemic, and who currently prescribe TAVALISSE, may eventually decide to close their independent practices and join a larger medical organization with a practice that does not prescribe TAVALISSE. Additionally, commercial related activities, such as our marketing programs, speaker bureaus, and market access initiatives have been conducted virtually, delayed or cancelled as a result of the COVID-19 pandemic. Resources have been deployed to enable our field-based employees to continue to engage virtually with health care providers. Although these virtual engagements have enabled our field team to support existing prescribers, as well as partner with new prescribers to identify appropriate patients for TAVALISSE, we cannot rule out future impact on our business if the pandemic continues for an extended period of time.

With respect to clinical development, we have taken, and continue to take, measures to implement remote and virtual approaches, including remote patient monitoring where possible per recent FDA guidance and working with our investigators for appropriate care of these patients in a safe manner consistent with agency guidelines. We have a number of ongoing clinical trials, one of which is a global Phase 3 clinical study in warm AIHA. A number of our clinical trial investigators have paused, postponed or delayed new patient enrollment and restricted site visits of existing patients enrolled. Although some sites have resumed patient screening, the progress is slow, and we continue to experience delays in new patient enrollment. We are continuing to make decisions country-by-country to minimize risk to the patients and clinical trial sites. We also rely heavily on our clinical trial investigators to inform us of the best course of action with respect to the resuming of enrollment/screening considering the ability of sites to ensure patient safety or data integrity. Patients already enrolled in our studies continue to receive study drug, and we remain focused on supporting our sites in providing care for these patients and providing continued investigational drug supply. We continue to experience slower than anticipated enrollment in some of our clinical trials, and at this time we cannot currently fully forecast the scope of impacts that the COVID-19 pandemic may have on our ability to continue to treat patients enrolled in our trials, enroll and assess new patients, supply study drug, obtain complete data points in accordance with study protocol and overall impact on clinical study results including the timing thereof. In addition, our partner, Kissei, is currently conducting a Phase 3 clinical trial for fostamatinib in ITP in Japan the timing and completion of which could be delayed due to the COVID-19 pandemic. The delays may potentially delay future royalties on sales, as well as, receipt of future potential milestones. At this time, however, we cannot fully forecast the scope of impacts that the COVID-19 pandemic may have under our partnership with Kissei.

With respect to our supply chain, we currently do not anticipate significant disruption in the supply chain for our commercial product, TAVALISSE. However, we do not know the full extent of the impact on our supply chain if the COVID-19 pandemic continues and persists for an extended period of time. We currently rely on third parties to, among other things, manufacture and ship our commercial product, raw materials and product supply for our clinical trials, perform quality testing and supply other goods and services to help manage our commercial activities, our clinical trials and our operations in the ordinary course of business. We have engaged actively with various elements of our supply chain and distribution channel, including our customers, contract manufacturers, and logistics and transportation provider, to meet demand for TAVALISSE and to remain informed of any challenges within our supply chain. We continue to monitor demand, and intend to adapt our plans as needed to continue to drive our business and meet our obligations during the evolving COVID-19 pandemic. However, if the COVID-19 pandemic continues and persists for an extended period of time, we may face continued disruptions to our supply chain and operations, and associated delays in the manufacturing and supply of TAVALISSE. Such supply disruptions would adversely impact our ability to generate sales of and revenues from TAVALISSE and our business, financial condition, results of operations and growth prospects could be adversely affected.

The COVID-19 pandemic has similarly affected our collaboration and licensing partners for the commercialization of fostamatinib globally, as well as in advancing our various clinical stage programs. We do not yet know the full impact of such disruptions in our partners' ability to advance commercialization of fostamatinib in the market and the timing of enrollment and completion of various clinical trials being conducted by our collaboration partners.

Health regulatory agencies globally may experience prolonged disruptions in their operations as a result of the coronavirus pandemic. It is unknown how long these disruptions could continue. Any de-prioritization of our clinical trials or delay in regulatory review resulting from such disruptions could materially affect the completion of our clinical trials.

In addition, the evolving effects of the COVID-19 pandemic has already resulted in a significant disruption of global financial markets. If the disruption persists and deepens, we could experience an inability to access additional capital or we may not be able to meet the requirements under our credit facility with MidCap in order for us to draw tranches 3 and/or 4 for $20.0 million each tranche. We could also experience an impact on liquidity, which could in the future negatively affect our capacity for certain corporate development transactions or our ability to make other important, opportunistic investments. In addition, a recession or market correction resulting from the impact of the evolving effects of the COVID-19 could materially affect our business and the value of our commonstock. While we expect the evolving effects of the COVID-19 pandemic to adversely affect our business operations and financial results, the extent of the impact on our ability to generate sales of and revenues from our approved products, our ability to continue to secure new collaborations and support existing collaboration efforts with our partners, our clinical development and regulatory efforts, our corporate development objectives and the value of and market for our ordinary shares, will depend on future developments that are highly uncertain and cannot be predicted with confidence at this time, such as the ultimate duration and severity of the pandemic, travel restrictions, quarantines, social distancing and business closure requirements in the U.S. and other countries, and the effectiveness of actions taken globally to contain and treat the disease. For example, if remote work policies for certain portions of our business, or that of our business partners, are continuously extended and become more restrictive, we may need to reassess our priorities and our corporate objectives. Given the global economic slowdown, the risks and uncertainties associated with the pandemic could adversely affect our business, financial condition, results of operations and growth prospects in the future periods. These evolving effects could adversely affect our business, financial condition, results of operations and growth prospects, as further described in the risks and uncertainties described elsewhere in this ‘‘Risk Factors’’ section.

To the extent the evolving effects of the COVID-19 pandemic continues to adversely affect our business and results of operations, it may also have the effect of heightening many of the other risks and uncertainties described elsewhere in this ‘‘Risk Factors’’ section.

Even if we, or any of our collaborative partners, are able to continue to commercialize TAVALISSE or any product candidate that we, or they, develop, the product may become subject to unfavorable pricing regulations, third-party payor reimbursement practices or labeling restrictions, any of which could harm our business.*

The commercial success of any product for which we have obtained regulatory approval, or for which we obtain regulatory approval in the future will depend substantially on the extent to which the costs of our product candidates will be paid by third-party payors, including government health care programs and private health insurers. If coverage is not available, or reimbursement is limited, we, or any of our collaborative partners, may not be able to successfully commercialize TAVALISSE or any of our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us, or any of our collaborative partners, to establish or maintain pricing sufficient to realize a sufficient return on our or their investments. In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors and coverage and reimbursement levels for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time consuming and costly process that may require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

There is significant uncertainty related to third-party payor coverage and reimbursement of newly approved drugs. Marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we, or any of our collaborative partners, might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay commercial launch of the product, possibly for lengthy time periods, which may negatively impact the revenues we are able to generate from the sale of the product in that country. In particular, we cannot predict to what extent the evolving effects of the COVID-19 pandemic, depending on its scale and duration, may continue to disrupt global healthcare systems and access to our product or result in a widespread loss of individual health insurance coverage due to unemployment, a shift from commercial payor coverage to government payor coverage, or an increase in demand for patient assistance and/or free drug programs, any of which would adversely affect access to and demand for our product and our net sales. Adverse pricing limitations may also hinder our ability or the ability of any future collaborators to recoup our or their investment in one or more product candidates, even if our product candidates obtain marketing approval. Further, even if favorable coverage and reimbursement status is attained for one or more products for which we or our collaborative partners receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Therefore, our ability, and the ability of any of our collaborative partners, to successfully commercialize fostamatinib or any of our product candidates will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from third-party payors.

Additionally, the labeling ultimately approved for any of our product candidates for which we have or may obtain regulatory approval may include restrictions on their uses and may be subject to ongoing FDA or international regulatory authority requirements governing the labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, record-keeping and reporting of safety and other post-market information. If we or any of our collaborative partners do not timely obtain or comply with the labeling approval by the FDA or international regulatory authorities on any of our product candidates, it may delay or inhibit our ability to successfully commercialize our products and generate revenues.

If we are unable to successfully market and distribute TAVALISSE and retain experienced sales force, our business will be substantially harmed.

We currently have limited experience in marketing and selling pharmaceutical products. TAVALISSE is a newly marketed drug and, therefore, none of the members of our sales force will have ever promoted TAVALISSE prior to its launch. As a result, we will be required to expend significant time and resources and continuously train our sales force to be credible, persuasive and compliant with applicable laws in marketing TAVALISSE for patients with chronic ITP who have had an insufficient response to a previous treatment. In addition, we must continually train our sales force to ensure that an appropriate and compliant message about TAVALISSE is being delivered. If we are unable to effectively train our sales force and equip them with compliant and effective materials, including medical and sales literature to help them appropriately inform and educate regarding its potential benefits and proper administration, our efforts to successfully commercialize TAVALISSE could be put in jeopardy, which would negatively impact our ability to generate product revenues.

We have established our distribution and reimbursement capabilities, all of which will be necessary to successfully commercialize TAVALISSE. As a result, we will be required to expend significant time and resources to market, sell, and distribute TAVALISSE to hematologists and hematologists-oncologists. There is no guarantee that the marketing strategies including our virtual strategies in response to the restrictions and limitations resulting from the COVID-19 pandemic, or the distribution and reimbursement capabilities, that we have developed will be successful. Particularly, we are dependent on third-party logistics, specialty pharmacies and distribution partners in the distribution of TAVALISSE. If they are unable to perform effectively or if they do not provide efficient distribution of the medicine to patients, our business may be harmed. In addition, we actively participate in medical conferences and exhibits, such as the American Society of Clinical Oncology (ASCO) and ASH Annual Meeting & Exposition that are significant opportunities for us to educate physicians and key opinion leaders about TAVALISSE. Due to the COVID-19 pandemic, ASCO will be held virtually in 2021 and it is uncertain if the other key conferences will be held virtually, postponed or cancelled. Such disruptions may prevent us from effectively educating the prescribing physicians and key opinion leaders about TAVALISSE which would negatively impact our ability to generate sales of and revenues from TAVALISSE and our results of operations and growth prospects could be adversely affected.

Maintaining our sales, marketing, market access and product distribution capabilities requires significant resources, and there are numerous risks involved with managing our commercial team, including our potential inability to successfully train, retain and incentivize adequate numbers of qualified and effective sales and marketing personnel. We are also competing for talent with numerous commercial and pre-commercial-stage oncology-focused biotechnology companies seeking to build out their commercial organizations, as well as other large pharmaceutical organizations that have extensive, well-funded and more experienced sales and marketing operations, and we may be unable to maintain or adequately scale our commercial organization as a result of such competition. If we cannot maintain effective sales, marketing, market access and product distribution capabilities, whether as a result of the ongoing COVID-19 pandemic or otherwise, we may be unable to maximize the commercial potential of TAVALISSE. Also, to the extent that the commercial opportunities for TAVALISSE grow over time, we may not properly judge the requisite size and experience of our current commercialization teams or the level of distribution necessary to market and sell TAVALISSE, which could have an adverse impact on our business, financial condition and results of operations.

Enacted or future legislation, including potentially unfavorable pricing regulations or other healthcare reform initiatives, may increase the difficulty and cost for us to obtain regulatory approval of our product candidates and/or commercialize fostamatinib or our product candidates, once approved, and affect the prices we may set or obtain.*

The regulations that govern, among other things, regulatory approvals, coverage, pricing and reimbursement for new drug products vary widely from country to country. In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to successfully sell fostamatinib or any product candidates for which we obtain regulatory approval in the future. In particular, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the Affordable Care Act, was enacted, which substantially changed the way health care is financed by both governmental and private insurers, and continues to significantly impact the U.S. pharmaceutical industry. The U.S. Supreme Court is currently reviewing the constitutionality of the Affordable Care Act, but it is unknown when a decision will be reached. On February 10, 2021, the Biden administration withdrew the federal government's support for overturning the Affordable Care Act. Although the U.S. Supreme Court has not yet ruled on the constitutionality of the Affordable Care Act, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment for purposes of obtaining health insurance coverage through the Affordable Care Act marketplace, which began on February 15, 2021 and will remain open through August 15, 2021. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the Affordable Care Act. It is unclear how the Supreme Court ruling, other such litigation, and the healthcare reform measures of the Biden administration will impact the Affordable Care Act and our business.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

- the demand for fostamatinib or our product candidates, if we obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors, which may adversely affect our future profitability.

In the United States, the European Union and other potentially significant markets for our current and future products, government authorities and third-party payors are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices. In the United States, there have been several recent Congressional inquiries and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. The Trump administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. For example, on July 24, 2020 and September 13, 2020, the Trump administration announced several executive orders related to prescription drug pricing that attempt to implement several of the administration's proposals. The FDA also released a final rule, effective November 30, 2020, implementing a portion of the importation executive order providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, the Department of Health and Human Services (HHS) finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed until January 1, 2023. On November 20, 2020, the Centers for Medicare & Medicaid Services (CMS) issued an interim final rule implementing President Trump's Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. Additionally, on March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug's average manufacture price, for single source and innovator multiple source drugs, beginning January 1, 2024. It is unclear whether the Biden administration will work to reverse the measures taken by the Trump administration or pursue similar policy initiatives.

Furthermore, the increased emphasis on managed healthcare in the United States and on country and regional pricing and reimbursement controls in the E.U. will put additional pressure on product pricing, reimbursement and usage, which may adversely affect our sales and results of operations. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, pharmaceutical reimbursement policies and pricing in general. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. It is also possible that additional governmental action is taken in response to the COVID-19 pandemic.

We cannot predict the likelihood, nature, or extent of health reform initiatives that may arise from future legislation or administrative action, particularly as a result of the new presidential administration. However, we expect these initiatives to increase pressure on drug pricing. Further, certain broader legislation that is not targeted to the health care industry may nonetheless adversely affect our profitability. If we or any third parties we may engage are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or such third parties are not able to maintain regulatory compliance, our product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability.

See section titled "Business – Government Regulation – Healthcare Reform" in Part I, Item 1 of our Annual Report on Form 10-K filed on March 2, 2021 for more information on healthcare reform activities.

If the market opportunities for TAVALISSE and product candidates are smaller than we believe they are, our revenues may be adversely affected, and our business may suffer.

Certain of the diseases that TAVALISSE and our other product candidates being developed to address are in underserved and underdiagnosed populations. Our projections of both the number of people who have these diseases, as well as the subset of people with these diseases who will seek treatment utilizing our products or product candidates, may not be accurate. If our estimates of the prevalence or number of patients potentially on therapy prove to be inaccurate, the market opportunities for fostamatinib and our other product candidates may be smaller than what we believe they are, our prospects for generating expected revenue may be adversely affected and our business may suffer. For example, complications due to COVID-19 may be prevented or well-addressed by others entering the market with vaccines or therapeutics to prevent or treat COVID-19, thereby affecting projections of the market for our product candidate negatively, and adversely affecting our business.

We may need to continue to increase the size of our organization and we may encounter difficulties with managing our growth, which could adversely affect our business and results of operations.

Although we have recently substantially increased the size of our organization, we may need to add additional qualified personnel and resources to support our commercial sales force, especially if we experience any potential reduction in our current salesforce due to the ongoing COVID-19 pandemic. Our current infrastructure may be inadequate to support our development and commercialization efforts and expected growth. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees, and may take time away from running other aspects of our business, including commercialization of TAVALISSE and development of our other product candidates.

Our future financial performance and our ability to sustain successful commercialization of TAVALISSE and our ability to commercialize other product candidates that may receive regulatory approval will depend, in part, on our ability to manage any future growth effectively. In particular, as we continue to commercialize TAVALISSE, we will need to support the training and ongoing activities of our sales force and will likely need to continue to expand the size of our employee base for managerial, operational, financial and other resources. To that end, we must be able to successfully:

- manage our development efforts effectively;
- integrate additional management, administrative and manufacturing personnel;
- further develop our marketing and sales organization; and
- maintain sufficient administrative, accounting and management information systems and controls.

We may not be able to accomplish these tasks or successfully manage our operations and, accordingly, may not achieve our research, development, and commercialization goals. Our failure to accomplish any of these goals, including as a result of business or other interruptions resulting from the ongoing COVID-19 pandemic, could adversely affect our business and operations.

We might not be able to successfully develop or commercialize our product candidates if problems arise in the clinical testing and approval process.

The activities associated with the research, development and commercialization of fostamatinib and other product candidates in our pipeline must undergo extensive clinical trials, which can take many years and require substantial expenditures, subject to extensive regulation by the FDA and other regulatory agencies in the U.S. and by comparable authorities in other countries. The process of obtaining regulatory approvals in the U.S. and other foreign jurisdictions is expensive, and lengthy, if approval is obtained at all.

Our clinical trials may fail to produce results satisfactory to the FDA or regulatory authorities in other jurisdictions. The regulatory process also requires preclinical testing, and data obtained from preclinical and clinical activities are susceptible to varying interpretations. The FDA has substantial discretion in the approval process and may refuse to approve any NDA or sNDA and decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. Varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of fostamatinib for any individual, additional indications.

Due to the ongoing COVID-19 pandemic, it is also possible that we could experience delays in the timing of our interactions with regulatory authorities due to absenteeism by governmental employees or the diversion of regulatory authority efforts and attention to approval of other therapeutics or other activities related to COVID-19, which could delay or limit our ability to make planned regulatory submissions or develop and commercialize our product candidates on anticipated timelines.

In addition, delays or rejections may be encountered based upon changes in regulatory policy for product approval during the period of product development and regulatory agency review, which may cause delays in the approval or rejection of an application for fostamatinib or for our other product candidates.

Commercialization of our product candidates depends upon successful completion of extensive preclinical studies and clinical trials to demonstrate their safety and efficacy for humans. Preclinical testing and clinical development are long, expensive and uncertain processes.

In connection with clinical trials of our product candidates, we may face the following risks among others:

- the product candidate may not prove to be effective;
- the product candidate may cause harmful side effects;
- the clinical results may not replicate the results of earlier, smaller trials;
- we or third parties with whom we collaborate, may be significantly impacted by the evolving impacts of the ongoing COVID-19 pandemic;
- we, or the FDA or similar foreign regulatory authorities, may delay, terminate or suspend the trials;
- our results may not be statistically significant;
- patient recruitment and enrollment may be slower than expected;
- patients may drop out of the trials or otherwise not enroll; and
- regulatory and clinical trial requirements, interpretations or guidance may change.

We do not know whether we will be permitted to undertake clinical trials of potential products beyond the trials already concluded and the trials currently in process. It will take us, or our collaborative partners several years to complete any such testing, and failure can occur at any stage of testing. Interim results of trials do not necessarily predict final results, and acceptable results in early trials may not be repeated in later trials. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials.

Regulatory approval for any approved product is limited by the FDA to those specific indications and conditions for which clinical safety and efficacy have been demonstrated, and we may incur significant liability if it is determined that we are promoting the "off-label" use of TAVALISSE or any of our future product candidates if approved.

Any regulatory approval is limited to those specific diseases, indications and patient populations for which a product is deemed to be safe and effective by the FDA. For example, the FDA-approved label for TAVALISSE is only approved for use in adults with ITP who have had an insufficient response to other treatments. In addition to the FDA approval required for new formulations, any new indication for an approved product also requires FDA approval. If we are not able to obtain FDA approval for any desired future indications for our products and product candidates, our ability to effectively market and sell our products may be reduced and our business may be adversely affected.

While physicians may choose to prescribe drugs for uses that are not described in the product's labeling and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote the products is limited to those indications and patient populations that are specifically approved by the FDA. These "off-label" uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. We have implemented compliance and monitoring policies and procedures, including a process for internal review of promotional materials, to deter the promotion of TAVALISSE for off-label uses. We cannot guarantee that these compliance activities will prevent or timely detect off-label promotion by sales representatives or other personnel in their communications with health care professionals, patients and others, particularly if these activities are concealed from the Company. Regulatory authorities in the United States generally do not regulate the behavior of physicians in their choice of treatments. Regulatory authorities do, however, restrict communications by pharmaceutical companies on the subject of off-label use. If our promotional activities fail to comply with the FDA's regulations or guidelines, we may be subject to warnings from, or enforcement action by, these regulatory authorities. In addition, our failure to follow FDA rules and guidelines relating to promotion and advertising may cause the FDA to issue warning letters or untitled letters, suspend or withdraw an approved product from the market, require a recall or institute fines, which could result in the disgorgement of money, operating restrictions, injunctions or civil or criminal enforcement, and other consequences, any of which could harm our business.

Notwithstanding the regulatory restrictions on off-label promotion, the FDA and other regulatory authorities allow companies to engage in truthful, non-misleading and non-promotional scientific exchange concerning their products. We engage in medical education activities and communicate with investigators and potential investigators regarding our clinical trials. If the FDA or other regulatory or enforcement authorities determine that our communications regarding our marketed product are not in compliance with the relevant regulatory requirements and that we have improperly promoted off-label uses, or that our communications regarding our investigational products are not in compliance with the relevant regulatory requirements and that we have improperly engaged in pre-approval promotion, we may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions.

There is a high risk that drug discovery and development efforts might not generate successful product candidates.*

At the present time, a significant portion of our operations are focused on various stages of drug identification and development. We currently have various product candidates in the clinical testing stage. In our industry, it is statistically unlikely that the limited number of compounds that we have identified as potential product candidates will actually lead to successful product development efforts. We have invested a significant portion of our efforts and financial resources into the development of fostamatinib. Our ability to generate product revenue, which will not occur until after regulatory approval, if ever, will depend on the successful development, regulatory approval and eventual commercialization of one of our product candidates.

Our compounds in clinical trials and our future leads for potential drug compounds are subject to the risks and failures inherent in the development of pharmaceutical products. These risks include, but are not limited to, the inherent difficulty in selecting the right drug and drug target and avoiding unwanted side effects, as well as unanticipated problems relating to product development, testing, enrollment, obtaining regulatory approvals, maintaining regulatory compliance, manufacturing, competition and costs and expenses that may exceed current estimates. In future clinical trials, we or our partners may discover additional side effects and/or higher frequency of side effects than those observed in previously completed clinical trials. The results of preliminary and mid-stage clinical trials do not necessarily predict clinical or commercial success, and larger later-stage clinical trials may fail to confirm the results observed in the previous clinical trials. Similarly, a clinical trial may show that a product candidate is safe and effective for certain patient populations in a particular indication, but other clinical trials may fail to confirm those results in a subset of that population or in a different patient population, which may limit the potential market for that product candidate. With respect to our own compounds in development, we have established anticipated timelines with respect to the initiation of clinical trials based on existing knowledge of the compounds. However, we cannot provide assurance that we will meet any of these timelines for clinical development. Additionally, the initial results of a completed earlier clinical trial of a product candidate do not necessarily predict final results and the results may not be repeated in later clinical trials.

Because of the uncertainty of whether the accumulated preclinical evidence (PK, pharmacodynamic, safety and/or other factors) or early clinical results will be observed in later clinical trials, we can make no assurances regarding the likely results from our future clinical trials or the impact of those results on our business. For example, if our Phase 3 clinical trial in wAIHA or Phase 3 clinical trial to further evaluate fostamatinib in hospitalized patients with COVID-19, or any of our clinical trials fail to meet the primary efficacy endpoints, the commercial prospects of our business may be harmed, our ability to generate product revenues may be delayed or eliminated or we may be forced to undertake other strategic alternatives that are in our shareholders' best interests, including cost reduction measures. If we are unable to obtain adequate financing or engage in a strategic transaction on commercially reasonable terms or at all, we may be required to implement further cost reduction strategies which could significantly impact activities related to our commercial efforts and/or research and development of our future product candidates, and could significantly harm our business, financial condition and results of operations. In addition, these cost reduction strategies could cause us to further curtail our operations or take other actions that would adversely impact our shareholders.

Delays in clinical testing could result in increased costs to us.*

We may not be able to initiate or continue clinical studies or trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these clinical trials as required by the FDA or other regulatory authorities, whether due to the impacts of the ongoing COVID-19 pandemic or otherwise. Even if we are able to enroll a sufficient number of patients in our clinical trials, if the pace of enrollment is slower than we expect, the development costs for our product candidates may increase and the completion of our clinical trials may be delayed, or our clinical trials could become too expensive to complete. For example, our Phase 3 pivotal trial of TAVALISSE in wAIHA currently have enrolled 72 patients of the 90 patients targeted for enrollment. Although a limited number of clinical trial sites have resumed screening patients after a temporary pause due to the ongoing COVID-19 pandemic, we continue to experience slower than expected enrollment. Similarly, our Phase 3 clinical trial to further evaluate fostamatinib in hospitalized patients with COVID-19 is currently enrolling but may experience similar delays. Significant delays in clinical testing could negatively impact our product development costs and timing. Our estimates regarding timing are based on a number of assumptions, including assumptions based on past experience with our other clinical programs. If we are unable to enroll the patients in these trials at the projected rate, the completion of the clinical program could be delayed and the costs of conducting the program could increase, either of which could harm our business.

Clinical trials can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a study, delays from scaling up of a study, delays in reaching agreement on acceptable clinical trial agreement terms with prospective clinical sites, delays in obtaining institutional review board approval to conduct a study at a prospective clinical site or delays in recruiting subjects to participate in a study. In addition, we typically rely on third-party clinical investigators to conduct our clinical trials and other third-party organizations to oversee the operations of such trials and to perform data collection and analysis. The clinical investigators are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. Failure of the third-party organizations to meet their obligations, whether due to the impacts of the ongoing COVID-19 pandemic or otherwise, could adversely affect clinical development of our products. As a result, we may face additional delaying factors outside our control if these parties do not perform their obligations in a timely fashion. For example, any number of those issues could arise with our clinical trials causing a delay. Delays of this sort could occur for the reasons identified above or other reasons. If we have delays in conducting the clinical trials or obtaining regulatory approvals, our product development costs will increase. For example, we may need to make additional payments to third-party investigators and organizations to retain their services or we may need to pay recruitment incentives. If the delays are significant, our financial results and the commercial prospects for our product candidates will be harmed, and our ability to become profitable will be delayed. Moreover, these third-party investigators and organizations may also have relationships with other commercial entities, some of which may compete with us. If these third-party investigators and organizations assist our competitors at our expense, it could harm our competitive position.

Due to the evolving effects of the COVID-19 pandemic, for several of our development programs, we are experiencing a disruption or delay in our ability to enroll and assess patients, maintain patient enrollment, supply study drug, report trial results, or interact with regulators, ethics committees or other important agencies due to limitations in employee resources or otherwise. In addition, some patients may not be able or willing to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 and adversely impact our clinical trial operations. In light of the evolving effects of the COVID-19 pandemic, we have taken, and will continue to take, measures to implement remote and virtual approaches to clinical development, including remote patient monitoring where possible, and if the COVID-19 pandemic continues and persists for an extended period of time, we could experience significant disruptions to our clinical development timelines, which would adversely affect our business, financial condition, results of operations and growth prospects.

Even if we are able to obtain Emergency Use Authorization (EUA) for fostamatinib for the treatment of hospitalized patients with COVID-19, absent supplemental NDA approval for that indication, such EUA would be revoked when the COVID-19 emergency terminates.*

Based on the results of the NIH Phase 2 trial, we intend to file an EUA for the use of fostamatinib for the treatment of hospitalized patients with COVID-19. The FDA may not consider the results of the Phase 2 trial to be sufficient to support an EUA, but could grant an EUA based on the results of our Phase 3 trial on hospitalized patients with COVID-19, and/or may require us to conduct additional clinical trials, which would result in significant delay.

The FDA has the authority to grant an EUA to allow unapproved medical products to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases or conditions when, based on the totality of scientific evidence, there is evidence of effectiveness of the medical product, and there are no adequate, approved, and available alternatives. The FDA may revoke an EUA when it is determined that the underlying health emergency no longer exists or warrants such authorization, and we cannotpredict how long, if ever, an EUA would remain in place.

We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, false claims laws and other federal and state healthcare laws, and the failure to comply with such laws could result in substantial penalties. Our employees, independent contractors, consultants, principal investigators, CROs, commercial partners and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

Our business operations and current and future arrangements with investigators, healthcare professionals, consultants, third-party payers and customers, may expose us to broadly applicable federal, state and foreign fraud and abuse and other healthcare laws and regulations including anti-kickback and false claims laws, data privacy and security laws, and transparency laws. These laws may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell and distribute any product for which we have obtained regulatory approval, or for which we obtain regulatory approval in the future. In particular, the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, including off-label uses of our products, structuring and commission(s), certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use or misrepresentation of information obtained in the course of patient recruitment for clinical trials, creating fraudulent data in our preclinical studies or clinical trials or illegal misappropriation of drug product, which could result in regulatory sanctions and cause serious harm to our reputation. See "Business – Government Regulation – Healthcare Reform" in Part I, Item 1 of our Annual Report on Form 10-K filed on March 2, 2021 for more information on the healthcare laws and regulations that may affect our ability to operate.

We are also exposed to the risk of fraud, misconduct or other illegal activity by our employees, independent contractors, consultants, principal investigators, CROs, commercial partners and vendors. Misconduct by these parties could include intentional, reckless and/or negligent conduct that fails to: comply with the laws of the FDA and other similar foreign regulatory bodies; provide true, complete and accurate information to the FDA and other similar foreign regulatory bodies; comply with manufacturing standards we have established; comply with federal and state data privacy, security, fraud and abuse and other healthcare laws and regulations in the United States and similar foreign fraudulent misconduct laws; or report financial information or data accurately or to disclose unauthorized activities to us. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent inappropriate conduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

We are also subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. Efforts to ensure that our business arrangements will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, disgorgement, monetary fines, imprisonment, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

We are subject to stringent and evolving data privacy and information security laws, regulations, rules, policies, and contractual obligations, and changes in such laws, regulations, rules, policies, contractual obligations and our actual or perceived failure to comply with such requirements could subject us to significant investigations, fines, penalties and claims, any of which may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are subject to, or affected by, numerous federal, state and foreign laws and regulations, as well as regulatory guidance, policies and contractual obligations relating to data privacy and security, governing the collection, use, disclosure, processing, retention, storage, transfer, destruction, and security of personal information. The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future and could result in conflicting compliance obligations. This evolution may create uncertainty in our business, affect our or our collaborators', service providers' and contractors' ability to operate in certain jurisdictions or to collect, use, disclose, process, retain, store, transfer, destroy and secure personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. The cost of compliance with these laws, regulations and standards is high and is likely to increase in the future. Any failure or perceived failure by us or our collaborators, service providers and contractors to comply with federal, state or foreign laws or regulations, our internal policies and procedures or our contracts governing the processing of personal information could result in negative publicity, diversion of management time and effort and proceedings against us by governmental entities or others. In many jurisdictions, enforcement actions and consequences for noncompliance are rising. Compliance with applicable privacy and data security laws and regulations, as well as regulatory guidance, policies and contractual obligations, is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms to ensure compliance with the new data protection requirements. If we fail to comply with any such obligations, we may face significant investigations, fines, penalties and claims that could adversely affect our business, financial condition and results of operations.

In the U.S., these include rules and regulations promulgated under the authority of the Federal Trade Commission and may include the following laws and regulations: the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act of 2018, or the CCPA, and other state and federal laws relating to data privacy and security. The CCPA establishes a privacy framework for covered businesses, including an expansive definition of personal information and data privacy rights for California residents. The CCPA, among other things, authorizes the imposition of potentially severe statutory damages and created a private right of action for data security breaches. The CCPA requires covered businesses to provide new disclosures to California residents and to provide them new ways to opt-out of the sale of personal information. Although there are limited exemptions for clinical trial and other research-related data under the CCPA, the CCPA and other similar laws could impact our business depending on how the CCPA will be interpreted. As we expand our operations, the CCPA may increase our compliance costs and potential liability. In addition, California voters recently approved the California Privacy Rights Act of 2020, or CPRA, that goes into effect on January 1, 2023. It is expected that the CPRA would, among other things, give California residents the ability to limit the use of their sensitive information, provide for penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the law. These laws demonstrate our Company's vulnerability to the evolving regulatory environment related to personal information. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S.

Internationally, our operations abroad may also be subject to increased scrutiny or attention from foreign data protection authorities. For example, our clinical trial programs and research collaborations outside the United States may implicate foreign data protection laws, including in Europe. Many jurisdictions have established or are in the process of establishing privacy and data security legal frameworks with which we, our collaborators, service providers, including our CROs, and contractors must comply. For example, European data protection laws, including, without limitation, the GDPR impose strict requirements for processing the personal information of individuals residing in the European Economic Area, or EEA, Switzerland, and United Kingdom (collectively, "Europe"), including clinical trial data. The GDPR and similar laws increase our obligations with respect to clinical trials conducted in Europe by expanding the definition of personal information to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial participants and investigators. In addition, the GDPR provides for robust regulatory enforcement and fines of up to €20 million or 4% of the annual global revenue of the noncompliant company, whichever is greater. In addition, the GDPR authorizes penalties for non-compliance (such as an inability to use the relevant personal data) and civil litigation claims.

European data protection laws, including the GDPR, generally restrict the transfer of personal information from Europe to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. One of the primary safeguards allowing U.S. companies to import personal information from Europe has been certification to the EU-U.S. Privacy Shield and Swiss-U.S. Privacy Shield frameworks administered by the U.S. Department of Commerce. However, the Court of Justice of the European Union (CJEU) issued a decision invalidating the EU-U.S. Privacy Shield framework. The same decision also raised questions about whether one of the primary alternatives to the EU-U.S. Privacy Shield, namely, the European Commission's Standard Contractual Clauses, can lawfully be used for personal information transfers from Europe to the United States or most other countries. Further, the European Commission recently proposed updates to the Standard Contractual Clauses. At present, there are few, if any, viable alternatives to the Standard Contractual Clauses. As such, any transfers by us or our third-party vendors, collaborators of others of personal data from Europe to the United States or elsewhere may not comply with European data protection laws; may increase our exposure to European data protection laws' heightened sanctions for cross-border data transfer restrictions; may restrict our clinical trials activities in Europe; and limit our ability to collaborate with CROs, service providers, contractors and other companies subject to European data protection laws. Loss of our ability to transfer personal data from Europe may also require us to increase our data processing capabilities in those jurisdictions at significant expense.

Further, the United Kingdom's decision to leave the EU, often referred to as "Brexit," created uncertainty with regard to data protection regulation in the United Kingdom. Following December 31, 2020, the GDPR's data protection obligations continue to apply to the United Kingdom in substantially unvaried form under the so-called "UK GDPR" (i.e., the GDPR as it continues to form part of law in the United Kingdom by virtue of section 3 of the European Union (Withdrawal) Act 2018, as amended (including by the various Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations)). As a result, we are potentially exposed to two parallel data protection regimes, each of which authorizes fines and the potential for divergent enforcement actions. In addition, it is still unclear whether the transfer of personal information from the EU to the United Kingdom will in the future continue to remain lawful under the GDPR. For example, pursuant to a post-Brexit agreement between the United Kingdom and the EU, the European Commission will continue to treat the United Kingdom as if it remained a member state of the EU in relation to transfers of personal information from the EEA to the United Kingdom, meaning such transfers may be made without a need for additional safeguards, for four months from January 1, 2021, with a potential additional two month extension. This "transition" period, however, will end if and when the European Commission adopts an adequacy decision with respect to the United Kingdom or the United Kingdom amends certain UK data protection laws, or relevant aspects thereof, without the EU's consent (unless those amendments are made simply to align those UK data protection laws with the EU's data protection regime). If the European Commission does not adopt an 'adequacy decision' in respect of the United Kingdom prior to the expiry of the extended adequacy assessment period, from that point onwards the United Kingdom will be an "inadequate third country" under the GDPR and transfers of data from the EEA to the United Kingdom will require a "transfer mechanism," such as the Standard Contractual Clauses. Also, following the expiry of the post-Brexit transitional arrangements, the United Kingdom Information Commissioner's Office may not be able to be our "lead supervisory authority" in respect of any "cross border processing" for the purposes of the GDPR. For so long as we are unable to, and/or do not, designate a lead supervisory authority in an EEA member state, we are not able to benefit from the GDPR's "one stop shop" mechanism. Amongst other things, this would mean that, in the event of a violation of the GDPR across the United Kingdom and the EEA, we could be investigated by, and ultimately fined by the United Kingdom Information Commissioner's Office and the supervisory authority in each and every EEA member state where data subjects have been affected by such violation.

Additionally, other countries outside of Europe have enacted or are considering enacting similar cross-border data transfer restrictions and laws requiring local data residency, and strict requirements and limitations for processing personal information, which could increase the cost and complexity of delivering our services and operating our business. For example, Brazil enacted the General Data Protection Law, New Zealand enacted the New Zealand Privacy Act, China released its draft Personal Information Protection Law, and Canada introduced the Digital Charter Implementation Act. As with the GDPR, these laws are broad and may increase our compliance burdens, including by mandating potentially burdensome documentation requirements and granting certain rights to individuals to control how we collect, use, disclose, retain, and process personal information about them.

We publish privacy policies and other documentation regarding our collection, processing, use and disclosure of personal information and/or other confidential information. Although we endeavor to comply with our published policies and other documentation, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, collaborators, contractors, service providers or vendors fail to act in accordance with our published policies and documentation. Such failures can subject us to potential foreign, local, state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices. Moreover, trial participants or research subjects about whom we or our partners obtain information, as well as the providers who share this information with us, may contractually limit our ability to use and disclose the information. Claims that we have violated individuals' privacy rights or failed to comply with data protection laws or applicable privacy notices, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Enhanced governmental and public scrutiny over, or investigations or litigation involving, pharmaceutical manufacturer donations to patient assistance programs may require us to modify our programs and could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

To help patients afford our products, we have a patient assistance program that help financially needy patients. This type of program has become the subject of scrutiny. Some pharmaceutical manufacturers were named in class action lawsuits challenging the legality of their patient assistance programs under a variety of federal and state laws. Our patient assistance program could become the target of similar litigation. In addition, certain state and federal enforcement authorities and members of Congress have initiated inquiries about co-pay assistance programs. Some state legislatures have also been considering proposals that would restrict or ban co-pay coupons.

If we are deemed not to have complied with laws or regulations in the operation of these programs, we could be subject to damages, fines, penalties or other criminal, civil or administrative sanctions or enforcement actions. Further, numerous organizations, including pharmaceutical manufacturers, have been subject to ongoing litigation, enforcement activities and settlements related to their patient assistance programs and support, and certain of these organizations have entered into, or have otherwise agreed to, significant civil settlements with applicable enforcement authorities. It is possible that future legislation may propose establishing requirements that affect pharmaceutical manufacturers. We cannot ensure that our compliance controls, policies and procedures will be sufficient to protect against acts of our employees, business partners or vendors that may violate the laws or regulations of the jurisdictions in which we operate. A government investigation could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

If manufacturers obtain approval for generic versions of TAVALISSE, or of products with which we compete, our business may be harmed.

Under the U.S. Food, Drug and Cosmetic Act (FDCA), the FDA can approve an ANDA for a generic version of a branded drug without the ANDA applicant undertaking the clinical testing necessary to obtain approval to market a new drug. Generally, in place of such clinical studies, an ANDA applicant usually needs only to submit data demonstrating that its product has the same active ingredient(s), strength, dosage form, route of administration and that it is bioequivalent to the branded product. In September 2019, the FDA published product-specific bioequivalence guidance on fostamatinib disodium to let potential ANDA applicants understand the data FDA would expect to see for approval of a generic version of TAVALISSE.

The FDCA requires that an applicant for approval of a generic form of a branded drug certify either that its generic product does not infringe any of the patents listed by the owner of the branded drug in the Orange Book or that those patents are not enforceable. This process is known as a paragraph IV challenge. Upon notice of a paragraph IV challenge, a patent owner has 45 days to bring a patent infringement suit in federal district court against the company seeking ANDA approval of a product covered by one of the owner's patents. If this type of suit is commenced, the FDCA provides a 30-month stay on the FDA's approval of the competitor's application. If the litigation is resolved in favor of the ANDA applicant or the challenged patent expires during the 30-month stay period, the stay is lifted, and the FDA may thereafter approve the application based on the standards for approval of ANDAs. Once an ANDA is approved by the FDA, the generic manufacturer may market and sell the generic form of the branded drug in competition with the branded medicine.

The ANDA process can result in generic competition if the patents at issue are not upheld or if the generic competitor is found not to infringe the owner's patents. If this were to occur with respect to TAVALISSE or products with which it competes, our business would be harmed. We have a number of patents listed in the Orange Book, the last of which is expected to expire in July 2032.

Unforeseen safety issues could emerge with TAVALISSE that could require us to change the prescribing information to add warnings, limit use of the product, and/or result in litigation. Any of these events could have a negative impact on our business.

Discovery of unforeseen safety problems or increased focus on a known problem could impact our ability to commercialize TAVALISSE and could result in restrictions on its permissible uses, including withdrawal of the medicine from the market.

If we or others identify additional undesirable side effects caused by TAVALISSE after approval:

- regulatory authorities may require the addition of labeling statements, specific warnings, contraindications, or field alerts to physicians and pharmacies;
- regulatory authorities may withdraw their approval of the product and require us to take our approved drugs off the market;
- we may be required to change the way the product is administered, conduct additional clinical trials, change the labeling of the product, or implement a Risk Evaluation and Mitigation Strategy, or REMS;
- we may have limitations on how we promote our drugs;
- third-party payers may limit coverage or reimbursement for TAVALISSE;
- sales of TAVALISSE may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of TAVALISSE and could substantially increase our operating costs and expenses, which in turn could delay or prevent us from generating significant revenue from sale of TAVALISSE.

If a safety issue emerges post-approval, we may become subject to costly product liability litigation by our customers, their patients or payers. Product liability claims could divert management's attention from our core business, be expensive to defend, and result in sizable damage awards against us that may not be covered by insurance. If we cannot successfully defend ourselves against claims that TAVALISSE caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- the inability to commercialize any products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of patients from clinical studies or cancellation of studies;
- significant costs to defend the related litigation;
- substantial monetary awards to patients; and
- loss of revenue.

We currently hold $10.0 million in product liability insurance coverage, which may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to obtain insurance coverage at a reasonable cost or in amounts adequate to satisfy any liability or associated costs that may arise in the future. These events could harm our business and results of operations and cause our stock price to decline.

If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate Program or other governmental pricing programs in the United States, we could be subject to additional reimbursement requirements, fines, sanctions and exposure under other laws which could have an adverse effect on our business, results of operations and financial condition.

We participate in the Medicaid Drug Rebate Program, as administered by the CMS, and other federal and state government pricing programs in the United States, and we may participate in additional government pricing programs in the future. These programs generally require us to pay rebates or otherwise provide discounts to government payers in connection with drugs that are dispensed to beneficiaries/recipients of these programs. In some cases, such as with the Medicaid Drug Rebate Program, the rebates are based on pricing that we report on a monthly and quarterly basis to the government agencies that administer the programs. Pricing requirements and rebate/discount calculations are complex, vary among products and programs, and are often subject to interpretation by governmental or regulatory agencies and the courts. The requirements of these programs, including, by way of example, their respective terms and scope, change frequently. Responding to current and future changes may increase our costs, and the complexity of compliance will be time consuming. Invoicing for rebates is provided in arrears, and there is frequently a time lag of up to several months between the sales to which rebate notices relate and our receipt of those notices, which further complicates our ability to accurately estimate and accrue for rebates related to the Medicaid program as implemented by individual states. Thus, there can be no assurance that we will be able to identify all factors that may cause our discount and rebate payment obligations to vary from period to period, and our actual results may differ significantly from our estimated allowances for discounts and rebates. Changes in estimates and assumptions may have an adverse effect on our business, results of operations and financial condition.

In addition, the Office of Inspector General of HHS and other Congressional enforcement and administrative bodies have recently increased their focus on pricing requirements for products, including, but not limited to the methodologies used by manufacturers to calculate average manufacturer price (AMP) and best price (BP) for compliance with reporting requirements under the Medicaid Drug Rebate Program. We are liable for errors associated with our submission of pricing data and for any overcharging of government payers. Failure to make necessary disclosures and/or to identify overpayments could result in allegations against us under the Federal False Claims Act and other laws and regulations. Any required refunds to the U.S. government or responding to a government investigation or enforcement action would be expensive and time consuming and could have an adverse effect on our business, results of operations and financial condition. In addition, in the event that CMS were to terminate our rebate agreement, no federal payments would be available under Medicaid or Medicare for our covered outpatient drugs.

Even for those product candidates that have or may receive regulatory approval, they may fail to achieve the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community necessary for commercial success, in which case we may not generate significant revenues or become profitable.

For our product candidates that have or may receive regulatory approval, they may nonetheless fail to gain sufficient market acceptance by physicians, hospital administrators, patients, healthcare payors and others in the medical community. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including the following:

- relative convenience and ease of administration;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the willingness of physicians to change their current treatment practices;
- the willingness of hospitals and hospital systems to include our product candidates as treatment options;
- demonstration of efficacy and safety in clinical trials;
- the prevalence and severity of any side effects;
- the ability to offer product candidates for sale at competitive prices;
- the price we charge for our product candidates;
- the strength of marketing and distribution support; and
- the availability of third-party coverage and adequate reimbursement and the willingness of patients to pay out-of-pocket in the absence of such coverage and adequate reimbursement.

Efforts to educate the physicians, patients, healthcare payors and others in the medical community on the benefits of our product candidates may require significant resources and may not be successful. If any of our product candidates are approved, if at all, but do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable on a sustained basis.

We will need additional capital in the future to sufficiently fund our operations and research.

We have consumed substantial amounts of capital to date as we continue our research and development activities, including preclinical studies and clinical trials and for the commercial launch of TAVALISSE. We may seek another collaborator or licensee in the future for further clinical development and commercialization of fostamatinib, as well as our other clinical programs, which we may not be able to obtain on commercially reasonable terms or at all. We believe that our existing capital resources will be sufficient to support our current and projected funding requirements, including the continued commercial launch of TAVALISSE in the U.S., through at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with commercial launch, the development of our product candidates and other research and development activities, we are unable to estimate with certainty our future product revenues, our revenues from our current and future collaborative partners, the amounts of increased capital outlays and operating expenditures associated with our current and anticipated clinical trials and other research and development activities.

We will continue to need additional capital and the amount of future capital needed will depend largely on the success of our commercial launch of TAVALISSE and the success of our internally developed programs as they proceed in later and more expensive clinical trials, including any additional clinical trials that we may decide to conduct with respect to fostamatinib. While we intend to opportunistically seek access to additional funds through public or private equity offerings or debt financings, we do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on reasonable terms. Our ability to raise additional capital, including our ability to secure new collaborations and continue to support existing collaboration efforts with our partners, may also be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the U.S. and worldwide resulting from the ongoing COVID-19 pandemic. Unless and until we are able to generate a sufficient amount of product, royalty or milestone revenue, which may never occur, we expect to finance future cash needs through public and/or private offerings of equity securities, debt financings or collaboration and licensing arrangements, as well as through proceeds from exercise of stock options and interest income earned on the investment of our cash balances and short-term investments. To the extent we raise additional capital by issuing equity securities in the future, our stockholders could at that time experience substantial dilution. In addition, we have a significant number of stock options outstanding. To the extent that outstanding stock options have been or may be exercised or other shares issued, our stockholders may experience further dilution. Further, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans, including through sales pursuant to the Open Market Sale Agreement with Jefferies. Our credit facility with MidCap involves certain covenants and any other debt financing that we are able to obtain in the future may involve operating covenants that restrict our business. To the extent that we raise additional funds through any new collaboration and licensing arrangements, we may be required to refund certain payments made to us, relinquish some rights to our technologies or product candidates or grant licenses on terms that are not favorable to us.

We have indebtedness in the form of a term loan pursuant to the Credit Agreement with MidCap, which could adversely affect our financial condition and our ability to respond to changes in our business. Further, if we are unable to satisfy certain conditions of the Credit Agreement, we will be unable to draw down the remainder of the facility.

In September 2019, we entered into the Credit Agreement with MidCap. Under the Credit Agreement, we are required to repay amounts due when there is an event of default for the term loans that results in the principal, premium, if any, and interest, if any, becoming due prior to the maturity date for the term loans. The Credit Agreement also contains a number of other affirmative and restrictive covenants. Please see Note 13 to our "Notes to Condensed Financial Statements" contained in Item 8 of this Quarterly Report on Form 10-Q for additional details of the Credit Agreement. These and other terms in the Credit Agreement have to be monitored closely for compliance and could restrict our ability to grow our business or enter into transactions that we believe would be beneficial to our business. Our business may not generate cash flow from operations in the future sufficient to service our debt and support our growth strategies. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as restructuring our debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our current debt obligations. In addition, we cannot be sure that additional financing will be available when required or, if available, will be on terms satisfactory to us. Further, even if we are able to obtain additional financing, we may be required to use such proceeds to repay a portion of our debt.

Our indebtedness may have other adverse effects, such as:

- our vulnerability to adverse general economic conditions and heightened competitive pressures;
- dedication of a portion of our cash flow from operations to interest payments, limiting the availability of cash for other operational purposes;
- limited flexibility in planning for, or reacting to, changes in our business and industry; and
- our inability to obtain additional financing in the future.

Our Credit Agreement with MidCap contains a mandatory prepayment provision that gives MidCap and/or its Agent the right to demand payment of the outstanding principal and additional interest and fees in the event of default. We may not have enough available cash or be able to obtain financing at the time we are required to repay the term loan with additional interest and fees prior to maturity.

At closing, $10.0 million was funded to us in an initial tranche. The Credit Agreement also gave us the ability to access an additional $50.0 million at our option, of which $40.0 million may be drawn in 2 tranches subject to the achievement of certain customary conditions. In May 2020, our second tranche of $10.0 million was funded by MidCap. If we are unable to satisfy these or other required conditions, we would not be able to draw down the remaining tranches of financing and may not be able to obtain alternative financing on commercially reasonable terms or at all, which could adversely impact our business.

We rely and may continue to rely on two distribution facilities for the sale of TAVALISSE and potential sale of any of our product candidates.

Our distribution operations for the sale of TAVALISSE is currently concentrated in two distribution centers owned by a third-party logistics provider. Additionally, our distribution operations, if and when we launch any of our product candidates in the future, may also be concentrated in such distribution centers owned by a third-party logistics provider. Any errors in inventory level management and unforeseen inventory shortage could adversely affect our business. In addition, any significant disruption in the operation of the facility due to natural disaster or severe weather, or events such as fire, accidents, power outages, system failures, or other unforeseen causes, could devalue or damage a significant portion of our inventories and could adversely affect our product distribution and sales until such time as we could secure an alternative facility. If we encounter difficulties with any of our distribution facilities, whether due to the impacts of the ongoing COVID-19 pandemic (including as a result of disruptions of global shipping and the transport of products) or otherwise, or other problems or disasters arise, we cannot ensure that critical systems and operations will be restored in a timely manner or at all, and this would have an adverse effect on our business. In addition, growth could require us to further expand our current facility, which could affect us adversely in ways that we cannot predict.

We lack the capability to manufacture compounds for clinical development and we intend to rely on third parties for commercial supply, manufacturing and distribution if any of our product candidates which receive regulatory approval and we may be unable to obtain required material or product in a timely manner, at an acceptable cost or at a quality level required to receive regulatory approval.

We currently do not have the manufacturing capabilities or experience necessary to produce TAVALISSE or any product candidates for clinical trials, including fostamatinib in AIHA, our IRAK inhibitor program and our RIP1 inhibitor program. We currently use one manufacturer of fostamatinib. We do not currently have, nor do we plan to acquire the infrastructure or capability to supply, manufacture or distribute preclinical, clinical or commercial quantities of drug substances or products. For each clinical trial of our unpartnered product candidates, we rely on third-party manufacturers for the active pharmaceutical ingredients, as well as various manufacturers to manufacture starting components, excipients and formulated drug products. Our ability to develop our product candidates, and our ability to commercially supply our products will depend, in part, on our ability to successfully obtain the APIs and other substances and materials used in our product candidates from third parties and to have finished products manufactured by third parties in accordance with regulatory requirements and in sufficient quantities for preclinical and clinical testing and commercialization. If we fail to develop and maintain supply relationships with these third parties, we may be unable to continue to develop or commercialize our product candidates.

We rely and will continue to rely on certain third parties, including those located outside the U.S., as our limited source of the materials they supply or the finished products they manufacture. The drug substances and other materials used in our product candidates are currently available only from one or a limited number of suppliers or manufacturers and certain of our finished product candidates are manufactured by one or a limited number of contract manufacturers. Any of these existing suppliers or manufacturers may:

- fail to supply us with product on a timely basis or in the requested amount due to unexpected damage to or destruction of facilities or equipment or otherwise;
- fail to increase manufacturing capacity and produce drug product and components in larger quantities and at higher yields in a timely or cost-effective manner, or at all, to sufficiently meet our commercial needs;
- be unable to meet our production demands due to issues related to their reliance on sole-source suppliers and manufacturers;
- supply us with product that fails to meet regulatory requirements;
- become unavailable through business interruption or financial insolvency;
- lose regulatory status as an approved source;

- be unable or unwilling to renew current supply agreements when such agreements expire on a timely basis, on acceptable terms or at all; or

- discontinue production or manufacturing of necessary drug substances or products.

Our current and anticipated future dependence upon these third-party manufacturers may adversely affect our ability to develop and commercialize product candidates on a timely and competitive basis, which could have an adverse effect on sales, results of operations and financial condition. If we were required to transfer manufacturing processes to other third-party manufacturers and we were able to identify an alternative manufacturer, we would still need to satisfy various regulatory requirements. Satisfaction of these requirements could cause us to experience significant delays in receiving an adequate supply of our products and products in development and could be costly. Moreover, we may not be able to transfer processes that are proprietary to the manufacturer, if any. These manufacturers may not be able to produce material on a timely basis or manufacture material at the quality level or in the quantity required to meet our development timelines and applicable regulatory requirements and may also experience a shortage in qualified personnel, including due to the impacts of the COVID-19 pandemic. We may not be able to maintain or renew our existing third-party manufacturing arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third-party manufacturers could terminate or decline to renew our manufacturing arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for the production of materials in sufficient quantity and of sufficient quality on acceptable terms, our planned clinical trials may be significantly delayed. Manufacturing delays could postpone the filing of our IND applications and/or the initiation or completion of clinical trials that we have currently planned or may plan in the future.

Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration, and other federal and state agencies to ensure strict compliance with cGMP and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards and they may not be able to comply. Switching manufacturers may be difficult because the number of potential manufacturers is limited. It may be difficult or impossible for us to find a replacement manufacturer quickly on acceptable terms, or at all. Additionally, if we are required to enter into new supply arrangements, we may not be able to obtain approval from the FDA of any alternate supplier in a timely manner, or at all, which could delay or prevent the clinical development and commercialization of any related product candidates. Failure of our third-party manufacturers or us to comply with applicable regulations, whether due to the impacts of the ongoing COVID-19 pandemic or otherwise, could result in sanctions being imposed on us, including fines, civil penalties, delays in or failure to grant marketing approval of our product candidates, injunctions, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products and compounds, operating restrictions and criminal prosecutions, any of which could adversely affect our business.

Forecasting potential sales for any of our product candidates will be difficult, and if our projections are inaccurate, our business may be harmed, and our stock price may be adversely affected.

Our business planning requires us to forecast or make assumptions regarding product demand and revenues for any of our product candidates if they are approved despite numerous uncertainties. These uncertainties may be increased if we rely on our collaborators or other third parties to conduct commercial activities in certain geographies and provide us with accurate and timely information. Actual results may differ materially from projected results for various reasons, including the following, as well as risks identified in other risk factors:

- the efficacy and safety of any of our product candidates, including as relative to marketed products and product candidates in development by third parties;

- pricing (including discounting or other promotions), reimbursement, product returns or recalls, competition, labeling, adverse events and other items that impact commercialization;

- the rate of adoption in the particular market, including fluctuations in demand for various reasons;

- impacts due to the ongoing COVID-19 pandemic;

- lack of patient and physician familiarity with the drug;
- lack of patient use and physician prescribing history;
- lack of commercialization experience with the drug;
- actual sales to patients may significantly differ from expectations based on sales to wholesalers; and uncertainty relating to when the drug may become commercially available to patients and rate of adoption in other territories.

We expect that our revenues from sales of any of our product candidates will continue to be based in part on estimates, judgment and accounting policies. Any incorrect estimates or disagreements with regulators or others regarding such estimates or accounting policies may result in changes to our guidance, projections or previously reported results. Expected and actual product sales and quarterly and other results may greatly fluctuate, including in the near-term, and such fluctuations can adversely affect the price of our common stock, perceptions of our ability to forecast demand and revenues, and our ability to maintain and fund our operations.

Any product for which we have obtained regulatory approval, or for which we obtain approval in the future, is subject to, or will be subject to, extensive ongoing regulatory requirements by the FDA, EMA and other comparable regulatory authorities, and if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, we may be subject to penalties, we will be unable to generate revenue from the sale of such products, our potential for generating positive cash flow will be diminished, and the capital necessary to fund our operations will be increased.

In April 2018, the FDA had approved TAVALISSE for the treatment of adult patients with chronic ITP who have had insufficient response to previous treatment. We launched fostamatinib in the United States on our own in late May 2018. In January 2019, we entered into an exclusive commercialization license agreement with Grifols to commercialize fostamatinib for the treatment, palliation, or prevention of human diseases, including chronic or persistent immune ITP, AIHA, and IgAN in Europe and Turkey and in October 2018, we entered into an exclusive license and supply agreement with Kissei for the development and commercialization of fostamatinib in all indications in Japan, China, Taiwan, and the Republic of Korea. In October 2019, we also entered into two exclusive license agreements with Medison to commercialize fostamatinib in all potential indications in Canada and Israel. Any product for which we have obtained regulatory approval, or for which we obtain regulatory approval in the future, along with the manufacturing processes and practices, post-approval clinical research, product labeling, advertising and promotional activities for such product, are subject to continual requirements of, and review by, the FDA, the EMA and other comparable international regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, current good manufacturing practices (cGMP) requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians, import and export requirements and recordkeeping. If we or our suppliers encounter manufacturing, quality or compliance difficulties with respect to TAVALISSE or any of our product candidates, when and if approved, whether due to the impacts of the ongoing COVID-19 pandemic (including as a result of disruptions of global shipping and the transport of products) or otherwise, we may be unable to obtain or maintain regulatory approval or meet commercial demand for such products, which could adversely affect our business, financial conditions, results of operations and growth prospects.

Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, we will not be able to promote any products we develop for indications or uses for which they are not approved.

In addition, the FDA often requires post-marketing testing and surveillance to monitor the effects of products. The FDA, the EMA and other comparable international regulatory agencies may condition approval of our product candidates on the completion of such post-marketing clinical studies. These post-marketing studies may suggest that a product causes undesirable side effects or may present a risk to the patient. Additionally, the FDA may require Risk Evaluation and Mitigation Strategies (REMS) to help ensure that the benefits of the drug outweigh its risks. A REMS may be required to include various elements, such as a medication guide or patient package insert, a communication plan to educate healthcare providers of the drug's risks, limitations on who may prescribe or dispense the drug, requirements that patients enroll in a registry or undergo certain health evaluations or other measures that the FDA deems necessary to ensure the safe use of the drug.

Discovery after approval of previously unknown problems with any of our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in actions such as:

- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;
- restrictions on product manufacturing processes;
- restrictions on the marketing of a product;
- restrictions on product distribution;
- requirements to conduct post-marketing clinical trials;
- untitled or warning letters or other adverse publicity;
- withdrawal of products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- refusal to permit the import or export of our products;
- product seizure;
- fines, restitution or disgorgement of profits or revenue;
- refusal to allow us to enter into supply contracts, including government contracts;
- injunctions; or
- imposition of civil or criminal penalties.

If such regulatory actions are taken, the value of our company and our operating results will be adversely affected. Additionally, if the FDA, the EMA or any other comparable international regulatory agency withdraws its approval of a product that is or may be approved, we will be unable to generate revenue from the sale of that product in the relevant jurisdiction, our potential for generating positive cash flow will be diminished and the capital necessary to fund our operations will be increased. Accordingly, we continue to expend significant time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance, post-marketing studies and quality control.

Fast track designation by the FDA may not actually lead to a faster development or regulatory review or approval process and does not assure FDA approval of our product candidates.

If a product candidate is intended for the treatment of a serious or life-threatening condition and the product candidate demonstrates the potential to address unmet medical need for this condition, the sponsor may apply for FDA fast track designation. However, a fast track designation does not ensure that the product candidate will receive marketing approval or that approval will be granted within any particular timeframe. As a result, while the FDA has granted fast track designation to TAVALISSE for the treatment of warm AIHA and/or we may seek and receive fast track designation for our future product candidates, we may not experience a faster development process, review or approval compared to conventional FDA procedures. In addition, the FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program. Fast track designation alone does not guarantee qualification for the FDA's priority review procedures.

We do not and will not have access to all information regarding fostamatinib and product candidates we licensed to Lily, Kissei, Grifols and Medison.*

We do not and will not have access to all information regarding fostamatinib and other product candidates, including potentially material information about commercialization plans, medical information strategies, clinical trial design and execution, safety reports from clinical trials, safety reports, regulatory affairs, process development, manufacturing and other areas known by Lilly, Kissei, Grifols and Medison. In addition, we have confidentiality obligations under our agreement with Lilly, Kissei, Grifols and Medison. Thus, our ability to keep our shareholders informed about the status of fostamatinib and other product candidates will be limited by the degree to which Lilly, Kissei, Grifols and/or Medison keep us informed and allows us to disclose such information to the public. If Lilly, Kissei, Grifols and/or Medison fail to keep us informed about commercialization efforts related to fostamatinib, or the status of the clinical development or regulatory approval pathway of other product candidates licensed to them, we may make operational and/or investment decisions that we would not have made had we been fully informed, which may adversely affect our business and operations.

If we are unable to obtain regulatory approval to market products in the United States and foreign jurisdictions, we will not be permitted to commercialize products we or our collaborative partners may develop.

We cannot predict whether regulatory clearance will be obtained for any product that we, or our collaborative partners, hope to develop. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. Of particular significance to us are the requirements relating to research and development and testing.

Before commencing clinical trials in humans in the United States, we, or our collaborative partners, will need to submit and receive approval from the FDA of an IND application. Clinical trials are subject to oversight by institutional review boards and the FDA and:

- must be conducted in conformance with the FDA's good clinical practices and other applicable regulations;
- must meet requirements for institutional review board oversight;
- must meet requirements for informed consent;
- are subject to continuing FDA and regulatory oversight;
- may require large numbers of test subjects; and
- may be suspended by us, our collaborators or the FDA at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in the IND or the conduct of these trials.

While we have stated that we intend to file additional INDs for future product candidates, this is only a statement of intent, and we may not be able to do so because we may not be able to identify potential product candidates. In addition, the FDA may not approve any IND we or our collaborative partners may submit in a timely manner, or at all.

Before receiving FDA approval to market a product, we must demonstrate with substantial clinical evidence that the product is safe and effective in the patient population and the indication that will be treated. Data obtained from preclinical and clinical activities are susceptible to varying interpretations that could delay, limit or prevent regulatory approvals. In addition, delays or rejections may be encountered based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, adverse publicity, as well as other regulatory action against our potential products or us. Additionally, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approval.

If regulatory approval of a product is granted, this approval will be limited to those indications or disease states and conditions for which the product is demonstrated through clinical trials to be safe and efficacious. We cannot assure you that any compound developed by us, alone or with others, will prove to be safe and efficacious in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing approval.

Outside the United States, our ability, or that of our collaborative partners, to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. This foreign regulatory approval process typically includes all of the risks and costs associated with FDA approval described above and may also include additional risks and costs, such as the risk that such foreign regulatory authorities, which often have different regulatory and clinical trial requirements, interpretations and guidance from the FDA, may require additional clinical trials or results for approval of a product candidate, any of which could result in delays, significant additional costs or failure to obtain such regulatory approval. There can be no assurance, however, that we or our collaborative partners will not have to provide additional information or analysis, or conduct additional clinical trials, before receiving approval to market product candidates.

We may be unable to expand our product pipeline, which could limit our growth and revenue potential.

Our business is focused on the discovery, development and commercialization of novel small molecule drugs that significantly improve the lives of patients with hematologic disorders, cancer and rare immune diseases. In this regard, we are pursuing internal drug discovery efforts with the goal of identifying new product candidates to advance into clinical trials. Internal discovery efforts to identify new product candidates require substantial technical, financial and human resources. These internal discovery efforts may initially show promise in identifying potential product candidates, yet ultimately fail to yield product candidates for clinical development for a number of reasons. For example, potential product candidates may, on later stage clinical study, be shown to have inadequate efficacy, harmful side effects, suboptimal pharmaceutical profiles or other characteristics suggesting that they are unlikely to be commercially viable products.

Apart from our internal discovery efforts, our strategy to expand our development pipeline is also dependent on our ability to successfully identify and acquire or in-license relevant product candidates. However, the in-licensing and acquisition of product candidates is a highly competitive area, and many other companies are pursuing the same or similar product candidates to those that we may consider attractive. In particular, larger companies with more well-established and diverse revenue streams may have a competitive advantage over us due to their size, financial resources and more extensive clinical development and commercialization capabilities. Furthermore, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We may also be unable to in-license or acquire additional relevant product candidates on acceptable terms that would allow us to realize an appropriate return on our investment. If we are unable to develop suitable product candidates through internal discovery efforts, whether due to the impacts of the ongoing COVID-19 pandemic or otherwise, or if we are unable to successfully obtain rights to additional suitable product candidates, our business and prospects for growth could suffer. Even if we succeed in our efforts to obtain rights to suitable product candidates, the competitive business environment may result in higher acquisition or licensing costs, and our investment in these potential products will remain subject to the inherent risks associated with the development and commercialization of new medicines. In certain circumstances, we may also be reliant on the licensor for the continued development of the in-licensed technology and their efforts to safeguard their underlying intellectual property.

With respect to acquisitions, we may not be able to integrate the target company successfully into our existing business, maintain the key business relationships of the target, or retain key personnel of an acquired business. Furthermore, we could assume unknown or contingent liabilities or incur unanticipated expenses. Any acquisitions or investments made by us also could result in our spending significant amounts, issuing dilutive securities, assuming or incurring significant debt obligations and contingent liabilities, incurring large one-time expenses and acquiring intangible assets that could result in significant future amortization expense and significant write-offs, any of which could harm our operating results.

Increasing use of social media could give rise to liability and may harm our business.

We and our employees are increasingly utilizing social media tools and our website as a means of communication. Despite our efforts to monitor evolving social media communication guidelines and comply with applicable laws and regulations, there is risk that the unauthorized use of social media by us or our employees to communicate about our products or business, or any inadvertent disclosure of material, nonpublic information through these means, may cause us to be found in violation of applicable laws and regulations, which may give rise to liability and result in harm to our business. In addition, there is also risk of inappropriate disclosure of sensitive information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse impact on our business, financial condition and results of operations. Furthermore, negative posts or comments about us or our products on social media could seriously damage our reputation, brand image and goodwill.

Our future funding requirements will depend on many uncertain factors.

Our future funding requirements will depend upon many factors, many of which are beyond our control, including, but not limited to:

- the costs to commercialize fostamatinib for the treatment of ITP in the United States, or any other future product candidates, if any such candidate receives regulatory approval for commercial sale;
- the progress and success of our Phase 3 trial in warm AIHA, other clinical trials and preclinical activities (including studies and manufacture of materials) of our product candidates conducted by us;
- any current and future impacts of the ongoing and evolving COVID-19 pandemic;
- the costs and timing of regulatory filings and approvals by us and our collaborators;
- the progress of research and development programs carried out by us and our collaborative partners;

- any changes in the breadth of our research and development programs;
- the ability to achieve the events identified in our collaborative agreements that may trigger payments to us from our collaboration partners;
- our ability to acquire or license other technologies or compounds that we may seek to pursue;
- our ability to manage our growth;
- competing technological and market developments;
- the costs and timing of obtaining, enforcing and defending our patent and other intellectual property rights; and
- expenses associated with any unforeseen litigation, including any arbitration and securities class action lawsuits.

Insufficient funds may require us to delay, scale back or eliminate some or all of our commercial efforts and/or research and development programs, to reduce personnel and operating expenses, to lose rights under existing licenses or to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

We have obtained orphan drug designation from the FDA for fostamatinib for the treatment of ITP and warm AIHA, but we may not be able to obtain or maintain orphan drug designation or exclusivity for fostamatinib for the treatment of ITP, warm AIHA or our other product candidates, or we may be unable to maintain the benefits associated with orphan drug designation, including the potential for market exclusivity.

We have obtained orphan drug designation in the United States for fostamatinib for the treatment of ITP and warm AIHA. We may seek orphan drug designation for other product candidates in the future. Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition, which is defined as one occurring in a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States. In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full NDA, to market the same drug for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the manufacturer is unable to assure sufficient product quantity.

We cannot assure you that any future application for orphan drug designation with respect to any other product candidate will be granted. If we are unable to obtain orphan drug designation with respect to other product candidates in the United States, we will not be eligible to obtain the period of market exclusivity that could result from orphan drug designation or be afforded the financial incentives associated with orphan drug designation. Even though we have received orphan drug designation for fostamatinib for the treatment of ITP and warm AIHA, we may not be the first to obtain marketing approval for the orphan-designated indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States for fostamatinib for the treatment of ITP, warm AIHA or any future product candidate may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition. Even after an orphan product is approved, the FDA can subsequently approve the same drug with the same active moiety for the same condition if the FDA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

Our research and development efforts will be seriously jeopardized if we are unable to attract and retain key employees and relationships.

As a small company, our success depends on the continued contributions of our principal management and scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions, scientists and companies in the face of intense competition for such personnel. In particular, our research programs depend on our ability to attract and retain highly skilled chemists, other scientists, and development, regulatory and clinical personnel. If we lose the services of any of our key personnel, our research and development efforts could be seriously and adversely affected. Our employees can terminate their employment with us at any time.

Our success as a company is uncertain due to our history of operating losses and the uncertainty of any future profitability. ***

We incurred income from operations of approximately $39.5 million during the quarter ended March 31, 2021 primarily due to the timing of recognition of revenue from the license agreement with Lilly. We historically incurred losses from operations each year since we were incorporated in June 1996 other than in fiscal year 2010, due in large part to the significant research and development expenditures required to identify and validate new product candidates and pursue our development efforts, and the costs of our ongoing commercial efforts for TAVALISSE. We expect to continue to incur losses from operations, at least in the next twelve months, and there can be no assurance that we will generate annual operating income in the foreseeable future. Currently, our potential sources of revenues are our sales of TAVALISE, upfront payments, research and development contingent payments and royalty payments pursuant to our collaboration arrangements, which may never materialize if our collaborators do not achieve certain events or generate net sales to which these contingent payments are dependent on. If our future drug candidates fail or do not gain regulatory approval, or if our drugs do not achieve sustainable market acceptance, we may not be profitable. As of March 31, 2021, we had an accumulated deficit of approximately $1.3 billion. The extent of our future losses or profitability, if any, especially due to the ongoing COVID-19 pandemic, is highly uncertain.

If our corporate collaborations or license agreements are unsuccessful, or if we fail to form new corporate collaborations or license agreements, our research and development efforts could be delayed.

Our strategy depends upon the formation and sustainability of multiple collaborative arrangements and license agreements with third parties now and in the future. We rely on these arrangements for not only financial resources, but also for expertise we need now and in the future relating to clinical trials, manufacturing, sales and marketing, and for licenses to technology rights. To date, we have entered into several such arrangements with corporate collaborators; however, we do not know if these collaborations or additional collaborations with third parties, if any, will dedicate sufficient resources or if any development or commercialization efforts by third parties will be successful. In addition, our corporate collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate or development program. Should a collaborative partner fail to develop or commercialize a compound or product to which it has rights from us for any reason, including corporate restructuring, such failure might delay our ongoing research and development efforts, because we might not receive any future payments, and we would not receive any royalties associated with such compound or product. We are conducting a Phase 3 clinical program to study fostamatinib in AIHA on our own. We may seek another collaborator or licensee in the future for clinical development and commercialization of fostamatinib, as well as our other clinical programs, which we may not be able to obtain on commercially reasonable terms or at all. If we are unable to form new collaborations or enter into new license agreements, our research and development efforts could be delayed. In addition, the continuation of some of our partnered drug discovery and development programs may be dependent on the periodic renewal of our corporate collaborations.

Each of our collaborations could be terminated by the other party at any time, and we may not be able to renew these collaborations on acceptable terms, if at all, or negotiate additional corporate collaborations on acceptable terms, if at all. If these collaborations terminate or are not renewed, any resultant loss of revenues from these collaborations or loss of the resources and expertise of our collaborative partners could adversely affect our business.

Conflicts also might arise with collaborative partners concerning proprietary rights to particular compounds. While our existing collaborative agreements typically provide that we retain milestone payments, royalty rights and/or revenue sharing with respect to drugs developed from certain compounds or derivative compounds, any such payments or royalty rights may be at reduced rates, and disputes may arise over the application of payment provisions or derivative payment provisions to such drugs, and we may not be successful in such disputes. For example, in September 2018, BerGenBio served us with a notice of arbitration seeking declaratory relief related to the interpretation of provisions under our June 2011 license agreement, particularly as they relate to the rights and obligations of the parties in the event of the license or sale of a product in the program by BerGenBio and/or the sale of BerGenBio to a third party. The arbitration panel dismissed four of the six declarations sought by BerGenBio, and we thereafter consented to one of the remaining declarations requested by BerGenBio. On February 27, 2019, the arbitration panel issued a determination granting the declaration sought by BerGenBio on the remaining issue, and held that in the event of a sale of shares by BerGenBio's shareholders where there is no monetary benefit to BerGenBio, we would not be entitled to a portion of the proceeds from such a sale. In this circumstance where the revenue share provision is not triggered, the milestone and royalty payment provisions remain in effect. While we do not believe that the determination will have an adverse effect on our operations, cash flows or financial condition, we can make no assurance regarding any such impact. Additionally, the management teams of our collaborators may change for various reasons including due to being acquired. Different management teams or an acquiring company of our collaborators may have different priorities which may have adverse results on the collaboration with us.

We are also a party to various license agreements that give us rights to use specified technologies in our research and development processes. The agreements pursuant to which we have in-licensed technology permit our licensors to terminate the agreements under certain circumstances. If we are not able to continue to license these and future technologies on commercially reasonable terms, our product development and research may be delayed or otherwise adversely affected.

If conflicts arise between our collaborators or advisors and us, any of them may act in their self-interest, which may be adverse to our stockholders' interests.

If conflicts arise between us and our corporate collaborators or scientific advisors, the other party may act in its self-interest and not in the interest of our stockholders. Some of our corporate collaborators are conducting multiple product development efforts within each disease area that is the subject of the collaboration with us or may be acquired or merged with a company having a competing program. In some of our collaborations, we have agreed not to conduct, independently or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborators, however, may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in their withdrawal of support for our product candidates.

If any of our corporate collaborators were to breach or terminate its agreement with us or otherwise fail to conduct the collaborative activities successfully and in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates or research programs could be delayed or terminated. We generally do not control the amount and timing of resources that our corporate collaborators devote to our programs or potential products. We do not know whether current or future collaborative partners, if any, might pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by collaborative arrangements with us.

Our success is dependent on intellectual property rights held by us and third parties, and our interest in such rights is complex and uncertain.

Our success will depend to a large part on our own, our licensees' and our licensors' ability to obtain and defend patents for each party's respective technologies and the compounds and other products, if any, resulting from the application of such technologies. For example, fostamatinib is covered as a composition of matter in a U.S. issued patent that has an expected expiration date of September 2031, after taking into account patent term adjustment and extension rules.

In the future, our patent position might be highly uncertain and involve complex legal and factual questions. For example, we may be involved in post-grant proceedings before the United States Patent and Trademark Office. Post-grant proceedings are complex and expensive legal proceedings and there is no assurance we will be successful in any such proceedings. A post-grant proceeding could result in our losing our patent rights and/or our freedom to operate and/or require us to pay significant royalties. Additionally, third parties may challenge the validity, enforceability or scope of our issued patents, which may result in such patents being narrowed, invalidated or held unenforceable through interference, opposition or invalidity proceedings before the United States Patent and Trademark Office or non-U.S. patent offices. Any successful opposition to our patents could deprive us of exclusive rights necessary for the successful commercialization of fostamatinib or our other product candidates. Oppositions could also be filed to complementary patents, such as formulations, methods of manufacture and methods of use, that are intended to extend the patent life of the overall portfolio beyond the patent life covering the composition of matter. A successful opposition to any such complementary patent could impact our ability to extend the life of the overall portfolio beyond that of the related composition of matter patent.

Additional uncertainty may result because no consistent policy regarding the breadth of legal claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the breadth of claims allowed in our or other companies' patents.

Because the degree of future protection for our proprietary rights is uncertain, we cannot assure you that:

- we were the first to make the inventions covered by each of our pending;
- we were the first to file patent applications for these inventions;

- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our pending patent applications will result in issued patents;
- any patents issued to us or our collaborators will provide a basis for commercially viable products or will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable; or
- the patents of others will not have a negative effect on our ability to do business.

We rely on trade secrets to protect technology where we believe patent protection is not appropriate or obtainable; however, trade secrets are difficult to protect. While we require employees, collaborators and consultants to enter into confidentiality agreements, we may not be able to adequately protect our trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information.

We are a party to certain in-license agreements that are important to our business, and we generally do not control the prosecution of in-licensed technology. Accordingly, we are unable to exercise the same degree of control over this intellectual property as we exercise over our internally developed technology. Moreover, some of our academic institution licensors, research collaborators and scientific advisors have rights to publish data and information in which we have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, our ability to receive patent protection or protect our proprietary information may otherwise be impaired. In addition, some of the technology we have licensed relies on patented inventions developed using U.S. government resources.

The U.S. government retains certain rights, as defined by law, in such patents, and may choose to exercise such rights. Certain of our in-licenses may be terminated if we fail to meet specified obligations. If we fail to meet such obligations and any of our licensors exercise their termination rights, we could lose our rights under those agreements. If we lose any of our rights, it may adversely affect the way we conduct our business. In addition, because certain of our licenses are sublicenses, the actions of our licensors may affect our rights under those licenses.

If a dispute arises regarding the infringement or misappropriation of the proprietary rights of others, such dispute could be costly and result in delays in our research and development activities and partnering.

Our success will depend, in part, on our ability to operate without infringing or misappropriating the proprietary rights of others. There are many issued patents and patent applications filed by third parties relating to products or processes that are similar or identical to our licensors or ours, and others may be filed in the future. There may also be copyrights or trademarks that third parties hold. There can be no assurance that our activities, or those of our licensors, will not violate intellectual property rights of others. We believe that there may be significant litigation in the industry regarding patent and other intellectual property rights, and we do not know if our collaborators or we would be successful in any such litigation. Any legal action against our collaborators or us claiming damages or seeking to enjoin commercial activities relating to the affected products, our methods or processes could:

- require our collaborators or us to obtain a license to continue to use, manufacture or market the affected products, methods or processes, which may not be available on commercially reasonable terms, if at all;
- prevent us from using the subject matter claimed in the patents held by others;
- subject us to potential liability for damages;
- consume a substantial portion of our managerial and financial resources; and
- result in litigation or administrative proceedings that may be costly, whether we win or lose.

Our effective tax rate may fluctuate, and we may incur obligations in tax jurisdictions in excess of accrued amounts.

We are subject to taxation in numerous U.S. states and territories. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of such places. Nevertheless, our effective tax rate may be different than experienced in the past due to numerous factors, including passage of the newly enacted federal income tax law, changes in the mix of our profitability from state to state, the results of examinations and audits of our tax filings, our inability to secure or sustain acceptable agreements with tax authorities, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations and may result in tax obligations in excess of amounts accrued in our financial statements.

Our ability to use net operating losses and certain other tax attributes is uncertain and may be limited.

Our ability to use our federal and state NOLs to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates of the NOLs, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our NOLs. Federal NOLs generated prior to 2018 will continue to be governed by the NOL carryforward rules as they existed prior to the adoption of the Tax Act, which means that generally they will expire 20 years after they were generated if not used prior thereto. Many states have similar laws. Accordingly, our federal and state NOLs could expire unused and be unavailable to offset future income tax liabilities. Under the Tax Act as modified by the CARES Act, federal NOLs incurred in tax years beginning after December 31, 2017 and before January 1, 2021 may be carried back to each of the five tax years preceding such loss, and NOLs arising in tax years beginning after December 31, 2020 may not be carried back. Moreover, federal net operating losses generated in tax years ending after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs may be limited to 80% of current year taxable income for tax years beginning after January 1, 2021. Under A.B. 85, the Company's California net operating loss carryforwards are suspended for tax years 2020, 2021, and 2022, but the period to use these carryovers was extended.

In addition, utilization of net operating losses to offset potential future taxable income and related income taxes that would otherwise be due is subject to annual limitations under the "ownership change" provisions of Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (Internal Revenue Code) and similar state provisions, which may result in the expiration of net operating losses before future utilization. In general, under the Code, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating losses and other pre-change tax attributes (such as research and development credit carryforwards) to offset its post-change taxable income or taxes may be limited. Our equity offerings and other changes in our stock ownership, some of which are outside of our control, may have resulted or could in the future result in an ownership change. Although we have completed studies to provide reasonable assurance that an ownership change limitation would not apply, we cannot be certain that a taxing authority would reach the same conclusion. If, after a review or audit, an ownership change limitation were to apply, utilization of our domestic net operating losses and tax credit carryforwards could be limited in future periods and a portion of the carryforwards could expire before being available to reduce future income tax liabilities. Moreover, our ability to utilize our net operating losses is conditioned upon us achieving profitability and generating U.S. federal taxable income.

Because we expect to be dependent upon collaborative and license agreements, we might not meet our strategic objectives.

Our ability to generate revenue in the near term depends on the timing of recognition of certain upfront payments, achievement of certain payment triggering events with our existing collaboration agreements and our ability to enter into additional collaborative agreements with third parties. Our ability to enter into new collaborations and the revenue, if any, that may be recognized under these collaborations is highly uncertain. If we are unable to enter into one or more new collaborations, our business prospects could be harmed, which could have an immediate adverse effect on our ability to continue to develop our compounds and on the trading price of our stock. Our ability to enter into a collaboration may be dependent on many factors, such as the results of our clinical trials, competitive factors and the fit of one of our programs with another company's risk tolerance, including toward regulatory issues, patent portfolio, clinical pipeline, the stage of the available data, particularly if it is early, overall corporate goals and financial position.

To date, a portion of our revenues have been related to the research or transition phase of each of our collaborative agreements. Such revenues are for specified periods, and the impact of such revenues on our results of operations is at least partially offset by corresponding research costs. Following the completion of the research or transition phase of each collaborative agreement, additional revenues may come only from payments triggered by milestones and/or the achievement of other contingent events, and royalties, which may not be paid, if at all, until certain conditions are met. This risk is heightened due to the fact that unsuccessful research efforts may preclude us from receiving any contingent payments under these agreements. Our receipt of revenues from collaborative arrangements is also significantly affected by the timing of efforts expended by us and our collaborators and the timing of lead compound identification. We have received payments from our collaborations with Lilly, Grifols, Kissei, Medison, Aclaris, Celgene, BMS, AZ, BerGenBio, Janssen Pharmaceutica N.V., a division of Johnson & Johnson, Novartis Pharma A.G., Daiichi, Merck & Co., Inc., Merck Serono and Pfizer. Under many agreements, future payments may not be earned until the collaborator has advanced product candidates into clinical testing, which may never occur or may not occur until sometime well into the future. If we are not able to generate revenue under our collaborations when and in accordance with our expectations or the expectations of industry analysts, this failure could harm our business and have an immediate adverse effect on the trading price of our common stock.

Our business requires us to generate meaningful revenue from royalties and licensing agreements. To date, we have not received any revenue from royalties for the commercial sale of drugs, and we do not know when we will receive any such revenue, if at all.

Securities class action lawsuits or other litigation could result in substantial damages and may divert management's time and attention from our business.

We have been subject to class action lawsuits in the past and we may be subject to lawsuits in the future, such as those that might occur if there was to be a change in our corporate strategy. These and other lawsuits are subject to inherent uncertainties, and the actual costs to be incurred relating to the lawsuit will depend upon many unknown factors. The outcome of litigation is necessarily uncertain, and we could be forced to expend significant resources in the defense of such suits, and we may not prevail. Monitoring and defending against legal actions is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, we may incur substantial legal fees and costs in connection with any such litigation. We have not established any reserves for any potential liability relating to any such potential lawsuits. It is possible that we could, in the future, incur judgments or enter into settlements of claims for monetary damages. A decision adverse to our interests on any such actions could result in the payment of substantial damages, or possibly fines, and could have an adverse effect on our cash flow, results of operations and financial position.

Global economic conditions could adversely impact our business.

The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries. In addition, the U.S. government has initiated or is considering imposing tariffs on certain foreign goods. Related to this action, certain foreign governments, including China, have instituted or are considering imposing tariffs on certain U.S. goods. It remains unclear what the U.S. Administration or foreign governments will or will not do with respect to tariffs or other international trade agreements and policies. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to disrupt our research activities, affect our suppliers and/or the U.S. economy or certain sectors thereof and, thus, could adversely impact our businesses.

If our competitors develop technologies that are more effective than ours, our commercial opportunity will be reduced or eliminated.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Many of the drugs that we are attempting to discover will be competing with existing therapies. In addition, a number of companies are pursuing the development of pharmaceuticals that target the same diseases and conditions that we are targeting. For example, the commercialization of new pharmaceutical products is highly competitive, and we face substantial competition with respect to TAVALISSE in which there are existing therapies and drug candidates in development for the treatment of ITP that may be alternative therapies to TAVALISSE. Many of our competitors, including a number of large pharmaceutical companies that compete directly with us, have significantly greater financial resources and expertise commercializing approved products than we do. Also, many of our competitors are large pharmaceutical companies that will have a greater ability to reduce prices for their competing drugs in an effort to gain market share and undermine the value proposition that we might otherwise be able to offer to payers. We face, and will continue to face, intense competition from pharmaceutical and biotechnology companies, as well as from academic and research institutions and government agencies, both in the United States and abroad. Some of these competitors are pursuing the development of pharmaceuticals that target the same diseases and conditions as our research programs. Our competitors including fully integrated pharmaceutical companies have extensive drug discovery efforts and are developing novel small-molecule pharmaceuticals. We also face significant competition from organizations that are pursuing the same or similar technologies, including the discovery of targets that are useful in compound screening, as the technologies used by us in our drug discovery efforts.

Competition may also arise from:

- new or better methods of target identification or validation;
- generic version of TAVALISSE or of products with which we compete;
- other drug development technologies and methods of preventing or reducing the incidence of disease;
- new small molecules; or
- other classes of therapeutic agents.

Our competitors or their collaborative partners may utilize discovery technologies and techniques or partner with collaborators in order to develop products more rapidly or successfully than we or our collaborators are able to do. Many of our competitors, particularly large pharmaceutical companies, have substantially greater financial, technical and human resources and larger research and development staffs than we do. In addition, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies and may establish exclusive collaborative or licensing relationships with our competitors.

We believe that our ability to compete is dependent, in part, upon our ability to create, maintain and license scientifically-advanced technology and upon our and our collaborators' ability to develop and commercialize pharmaceutical products based on this technology, as well as our ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary technology or processes and secure sufficient capital resources for the expected substantial time period between technological conception and commercial sales of products based upon our technology. The failure by any of our collaborators or us in any of those areas may prevent the successful commercialization of our potential drug targets.

Many of our competitors, either alone or together with their collaborative partners, have significantly greater experience than we do in:

- identifying and validating targets;
- screening compounds against targets; and
- undertaking preclinical testing and clinical trials.

Accordingly, our competitors may succeed in obtaining patent protection, identifying or validating new targets or discovering new drug compounds before we do.

Our competitors might develop technologies and drugs that are more effective or less costly than any that are being developed by us or that would render our technology and product candidates obsolete and noncompetitive. In addition, our competitors may succeed in obtaining the approval of the FDA or other regulatory agencies for product candidates more rapidly. Companies that complete clinical trials, obtain required regulatory agency approvals and commence commercial sale of their drugs before us may achieve a significant competitive advantage, including certain patent and FDA marketing exclusivity rights that would delay or prevent our ability to market certain products. Any drugs resulting from our research and development efforts, or from our joint efforts with our existing or future collaborative partners, might not be able to compete successfully with competitors' existing or future products or obtain regulatory approval in the United States or elsewhere.

We face and will continue to face intense competition from other companies for collaborative arrangements with pharmaceutical and biotechnology companies, for establishing relationships with academic and research institutions and for licenses to additional technologies. These competitors, either alone or with their collaborative partners, may succeed in developing technologies or products that are more effective than ours.

Our ability to compete successfully will depend, in part, on our ability to:

- identify and validate targets;
- discover candidate drug compounds that interact with the targets we identify;
- attract and retain scientific and product development personnel;
- obtain patent or other proprietary protection for our new drug compounds and technologies; and
- enter commercialization agreements for our new drug compounds.

Our stock price may be volatile, and our stockholders' investment in our common stock could decline in value.

The market prices for our common stock and the securities of other biotechnology companies have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- the progress and success of our clinical trials and preclinical activities (including studies and manufacture of materials) of our product candidates conducted by us;

- our ability to continue to sell TAVALISSE in the United States;
- our ability to enter into partnering opportunities across our pipeline;
- the receipt or failure to receive the additional funding necessary to conduct our business;
- selling by large stockholders;
- presentations of detailed clinical trial data at medical and scientific conferences and investor perception thereof;
- announcements of technological innovations or new commercial products by our competitors or us;
- developments concerning proprietary rights, including patents;
- developments concerning our collaborations;
- publicity regarding actual or potential medical results relating to products under development by our competitors or us;
- regulatory developments in the United States and foreign countries;
- changes in the structure of healthcare payment systems;
- litigation or arbitration;
- economic and other external factors or other disaster or crisis; and
- period-to-period fluctuations in financial results.

The withdrawal of the U.K. from the E.U. may adversely impact our ability to obtain regulatory approvals of our product candidates in the U.K and the E.U., result in restrictions or imposition of taxes and duties for importing our product candidates into the U.K and the E.U., and may require us to incur additional expenses in order to develop, manufacture and commercialize our product candidates in the U.K and the E.U.

Following the result of a referendum in 2016, the U.K. left theE.U. on January 31, 2020, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the U.K. and the E.U., the U.K. was subject to a transition period until December 31, 2020, or the Transition Period, during which E.U. rules continued to apply. A trade and cooperation agreement, or the Trade and Cooperation Agreement, that outlines the future trading relationship between the United Kingdom and the European Union was agreed in December 2020 and has been approved by each E.U. member state and the U.K.

Since a significant proportion of the regulatory framework in the U.K. applicable to our business and our product candidates is derived from E.U. directives and regulations, Brexit has had, and will continue to have, a material impact upon the regulatory regime with respect to the development, manufacture, importation, approval and commercialization of our product candidates in the U.K. or the E.U. Great Britain (made up of England, Scotland, and Wales) is no longer covered by the EEA's procedures for the grant of marketing authorizations (Northern Ireland will be covered by such procedures). A separate marketing authorization will be required to market drugs in Great Britain. It is currently unclear whether the Medicines and Healthcare products Regulatory Agency, or MHRA, in the U.K. is sufficiently prepared to handle the increased volume of marketing authorization applications that it is likely to receive. Any delay in obtaining, or an inability to obtain, any marketing approvals, would delay or prevent us from commercializing our product candidates in the U.K. or the E.U. and restrict our ability to generate revenue and achieve and sustain profitability.

While the Trade Agreement provides for the tariff-free trade of medicinal products between the U.K. and the E.U. there may be additional non-tariff costs to such trade which did not exist prior to the end of the Transition Period. Further, should the U.K. diverge from the E.U. from a regulatory perspective in relation to medicinal products, tariffs could be put into place in the future. We could therefore, both now and in the future, face significant additional expenses (when compared to the position prior to the end of the Transition Period) to operate our business, which could significantly and materially harm or delay our ability to generate revenues or achieve profitability of our business. Any further changes in international trade, tariff and import/export regulations as a result of Brexit or otherwise may impose unexpected duty costs or other non-tariff barriers on us. These developments, or the perception that any of them could occur, may significantly reduce global trade and, in particular, trade between the impacted nations and the U.K. It is also possible that Brexit may negatively affect our ability to attract and retain employees, particularly those from the E.U.

Orphan designation in Great Britain following Brexit is granted on an essentially identical basis to in the E.U. but is based on the prevalence of the condition in Great Britain. It is therefore possible that conditions that are currently designated as orphan conditions in Great Britain will no longer be and that conditions that are not currently designated as orphan conditions in the E.U. will be designated as such in Great Britain.

If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit commercialization of our products.

The testing and marketing of medical products and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, health care providers, pharmaceutical companies or others selling or otherwise coming into contact with our products. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products. We carry product liability insurance that is limited in scope and amount and may not be adequate to fully protect us against product liability claims. If and when we obtain marketing approval for our product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products we develop, alone or with corporate collaborators. We, or our corporate collaborators, might not be able to obtain insurance at a reasonable cost, if at all. While under various circumstances we are entitled to be indemnified against losses by our corporate collaborators, indemnification may not be available or adequate should any claim arise.

We depend on various scientific consultants and advisors for the success and continuation of our research and development efforts.

We work extensively with various scientific consultants and advisors. The potential success of our drug discovery and development programs depends, in part, on continued collaborations with certain of these consultants and advisors. We, and various members of our management and research staff, rely on certain of these consultants and advisors for expertise in our research, regulatory and clinical efforts. Our scientific advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We do not know if we will be able to maintain such consulting agreements or that such scientific advisors will not enter into consulting arrangements, exclusive or otherwise, with competing pharmaceutical or biotechnology companies, any of which would have a detrimental impact on our research objectives and could have an adverse effect on our business, financial condition and results of operations.

If we use biological and hazardous materials in a manner that causes injury or violates laws, we may be liable for damages, penalties or fines.

Our research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals, animals, and various radioactive compounds. We cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these animals and materials. In the event of contamination or injury, we could be held liable for damages that result or for penalties or fines that may be imposed, and such liability could exceed our resources. We are also subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with, or any potential violation of, these laws and regulations could be significant.

Our information technology systems, or those used by our CROs or other contractors or consultants, may fail or suffer other breakdowns, cyber-attacks, or information security breaches.

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business, particularly during the COVID-19 pandemic. We also rely on third party vendors and their information technology systems. Despite the implementation of security measures, our recovery systems, security protocols, network protection mechanisms and other security measures and those of our CROs and other contractors and consultants are vulnerable to compromise from natural disasters; terrorism; war; telecommunication and electric failures; traditional computer hackers; malicious code (such as computer viruses or worms); employee error, theft or misuse; denial-of-service attacks; cyber-attacks by sophisticated nation-state and nation-state supported actors; or other system disruptions. We receive, generate and store significant and increasing volumes of personal (including health), confidential and proprietary information. There can be no assurance that we, or our collaborators, CROs, third-party vendors, contractors and consultants, will be successful in efforts to detect, prevent, protect against or fully recover systems or data from all break-downs, service interruptions, attacks or breaches. Any breakdown, cyber-attack or information security breach could result in a disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing clinical trials for a product candidate could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of personal, confidential or proprietary information, we could incur liability, incur significant remediation or litigation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources.

As the cyber-threat landscape evolves, these threats will grow in frequency, sophistication and intensity and will become increasingly difficult to detect. The costs of maintaining or upgrading our cyber-security systems at the level necessary to keep up with our expanding operations and prevent against potential attacks are increasing. Cyber threats may be generic, or they may be targeted against our information systems. Our network and storage applications and those of our contract manufacturing organizations, collaborators, contractors, CROs or vendors may be subject to unauthorized access by hackers or breached due to operator error, theft, malfeasance or other system disruptions. We may be unable to anticipate or immediately detect information security incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could compromise our intellectual property and expose our sensitive business information. Any event that leads to unauthorized access, use or disclosure of personal information, including personal information regarding our clinical study participants or employees, could harm our reputation and business, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to investigations and mandatory corrective action, and otherwise subject us to liability under laws, regulations or contracts that protect the privacy and security of personal information, which could disrupt our business, result in increased costs or loss of revenue, lead to negative publicity or result in significant financial exposure.

The costs to respond to a security breach and/or to mitigate any identified security vulnerabilities could be significant, our efforts to address these issues may not be successful, and these issues could result in interruptions, delays, negative publicity, loss of customer trust, and other harms to our business and competitive position. Remediation of any potential security breach may involve significant time, resources, and expenses. We could be required to fundamentally change our business activities and practices in response to a security breach and our systems or networks may be perceived as less desirable, which could negatively affect our business and damage our reputation.

A security breach may cause us to breach our contracts. Our agreements with relevant stakeholders such as collaborators may require us to use legally required, industry-standard or reasonable measures to safeguard personal information. A security breach could lead to claims by relevant stakeholders that we have failed to comply with such contractual obligations. In addition, any non-compliance with our data privacy obligations in our contracts or our inability to flow down such obligations from relevant stakeholders to our vendors may cause us to breach our contracts. As a result, we could be subject to legal action or the relevant stakeholders could end their relationships with us. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages.

We may not have adequate insurance coverage for security incidents or breaches. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that its existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

The transition away from the London Interbank Offered Rate (LIBOR) could affect the value of certain short-term investments, outstanding debt from our existing credit facility as well as our ability to draw additional funds from our credit facility.

The UK's Financial Conduct Authority, which regulates LIBOR, has announced plans to phase out the use of LIBOR by the end of 2021. We have certain short-term investments which includes financial instruments, as well an existing debt facility subject to LIBOR. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate, and any potential effects of the transition away from LIBOR on certain instruments into which we may enter in the future are not known. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, result in expenses, difficulties, complications or delays in connection with future financing efforts, which could have an adverse impact on our business, financial condition and results of operations.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our facilities are located in the San Francisco Bay Area near known earthquake fault zones and are vulnerable to significant damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fires, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired, and our research could be lost or destroyed. In addition, the unique nature of our research activities and of much of our equipment could make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

Future equity issuances or a sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Because we will continue to need additional capital in the future to continue to expand our business and our research and development activities, among other things, we may conduct additional equity offerings. For example, under the universal shelf registration statement filed by us in March 2018 and declared effective by the SEC in April 2018, we may offer and sell any combination of common stock, preferred stock, debt securities and warrants in one or more offerings, up to a cumulative value of $200 million. To date, we have $63.2 million remaining under such universal shelf registration statement after taking into account the $65.0 million subject to the Open Market Sale Agreement with Jefferies. If we or our stockholders sell, or if it is perceived that we or they will sell, substantial amounts of our common stock (including any sales pursuant to our Open Market Sale Agreement with Jefferies or shares issued upon the exercise of outstanding options and warrants) in the public market, the market price of our common stock could fall. A decline in the market price of our common stock could make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. In addition, future sales by us of our common stock, including those pursuant to our Open Market Sale Agreement with Jefferies, may be dilutive to existing stockholders. Furthermore, if we obtain funds through a credit facility or through the issuance of debt or preferred securities, these securities would likely have rights senior to the rights of our common stockholders, which could impair the value of our common stock.

Shareholder activism could cause material disruption to our business.

Publicly traded companies have increasingly become subject to campaigns by activist investors advocating corporate actions such as actions related to environment, social and governance (ESG) matters, financial restructuring, increased borrowing, dividends, share repurchases or even sales of assets or the entire company. Responding to proxy contests and other actions by such activist investors or others in the future could be costly and time-consuming, disrupt our operations and divert the attention of our Board of Directors and senior management from the pursuit of our business strategies, which could adversely affect our results of operations and financial condition.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- limit who may call a special meeting of stockholders;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
- provide for a board of directors with staggered terms; and
- provide that the authorized number of directors may be changed only by a resolution of our board of directors.

In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation. (1)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation. (2)
3.3	Amended and Restated Bylaws. (3)
4.1	Form of warrant to purchase shares of common stock. (4)
4.2	Specimen Common Stock Certificate. (5)
4.3	Warrant issued to HCP BTC, LLC for the purchase of shares of common stock. (6)
10.1^#	License and Collaboration Agreement by and between the Company and Eli Lilly and Company, dated February 28, 2021
10.2+#	Non-employee Directors' Compensation Policy
31.1#	Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2#	Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1*#	Certification required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\# Filed herewith

\+ Indicates a management contract or compensatory plan or arrangement.

^ Certain marked information has been omitted from this exhibit because it is both not material and is the type that the registrant treats as private and confidential.

* *The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the registrant for purposes of Section 18 of the Exchange Act.*

(1) Filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) filed on May 29, 2012, and incorporated herein by reference.
(2) Filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) filed on May 18, 2018, and incorporated herein by reference.
(3) Filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) filed on February 2, 2007, and incorporated herein by reference.
(4) Filed as an exhibit to Rigel's Registration Statement on Form S-1 (No. 333-45864), filed on September 15, 2000, as amended, and incorporated herein by reference.
(5) Filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) filed on June 24, 2003, and incorporated herein by reference.
(6) Filed as an exhibit to Rigel's Quarterly Report on Form 10-Q (No. 000-29889) for the quarter ended March 31, 2009, and incorporated herein by reference.

SIGNATURES

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

RIGEL PHARMACEUTICALS, INC.

By: /s/ RAUL R. RODRIGUEZ
Raul R. Rodriguez
Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2021

By: /s/ DEAN L. SCHORNO
Dean L. Schorno
Chief Financial Officer
(Principal Financial Officer)

Date: May 5, 2021

[*] = CERTAIN MARKED INFORMATION HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

Exhibit 10.1

LICENSE AND COLLABORATION AGREEMENT

This License and Collaboration Agreement (the "**Agreement**") is entered into as of the Execution Date by and between **Rigel Pharmaceuticals, Inc.**, a Delaware corporation having its principal place of business at 1180 Veterans Boulevard, South San Francisco, CA 94080 ("**Rigel**"), and **Eli Lilly and Company**, an Indiana corporation having its principal place of business at Lilly Corporate Center, Indianapolis, Indiana 96285 ("**Lilly**"). Rigel and Lilly are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

Recitals

Whereas, Rigel is a biotechnology company dedicated to discovering, developing and providing novel, small-molecule drugs for the treatment of immune and hematologic disorders, cancer and rare diseases.

Whereas, Lilly is a biotechnology company engaged in the research, development, marketing, manufacturing and distribution of pharmaceutical products.

Whereas, Rigel has developed certain compounds directed to RIP1 and has completed a Phase 1 Clinical Trial for R552, a non-CNS penetrant RIP1 inhibitor and has initiated pre-clinical activities for CNS penetrant RIP1 inhibitors.

Whereas, Lilly and Rigel desire to establish a collaboration for the Development and Commercialization of certain Compounds (including R552) and Products in the Field (each, as defined below) on the terms of this Agreement.

Now, Therefore, in consideration of the foregoing premises and the mutual promises, covenants and conditions contained in this Agreement, the Parties agree as follows:

ARTICLE 1

Definitions

As used in this Agreement, the following initially capitalized terms, whether used in the singular or plural form, shall have the meanings set forth in this Article 1 (Definitions).

1.1 "**Accounting Standards**" means, with respect to a Party and its Affiliates, the United States Generally Accepted Accounting Principles, as such Party uses for its financial reporting obligations, consistently applied.

1.2 "**Acquisition**" means, with respect to a Party, an acquisition by such Party of a Third Party (whether by merger or acquisition of all or substantially all of the stock or of all or substantially all of the assets of a Third Party or of any operating or business division of a Third Party or similar transaction), other than a Change of Control of the Party.

1.3 "**Affiliate**" means, with respect to a particular Person, any other Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person, at such time as such control exists. For the purposes of this definition, the term "control" (including, with correlative meaning, the terms "controlled by" or "under common control with") means: (a) possessing the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of an entity, whether by the ownership of voting securities, by contract relating to voting rights, corporate governance or otherwise, or (b) direct or indirect ownership of fifty percent (50%) (or such lesser percentage that is

the maximum allowed to be owned by a foreign entity in a particular jurisdiction) or more of the voting share capital or other equity interest in such entity.

1.4 "**Applicable Laws**" means all laws, statutes, rules, regulations, ordinances and other pronouncements (including those relating to data protection and privacy) having the effect of law of any federal, national, multinational, state, provincial, country, city or other political subdivision, domestic or foreign, that are applicable to the particular situation, obligation or circumstance.

1.5 "**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks located in Indiana or California are authorized or required by law to remain closed.

1.6 "**Calendar Quarter**" means the respective period of three consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.7 "**Calendar Year**" means each successive period of twelve months commencing on January 1 and ending on December 31.

1.8 "**Change of Control**" means, with respect to a Party, any of the following events: (a) any Third Party (or group of Third Parties acting in concert) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the total voting power of the stock then outstanding of such Party normally entitled to vote in elections of directors; (b) such Party consolidates with or merges into another corporation or entity, or any corporation or entity consolidates with or merges into such Party, in either event pursuant to a transaction in which more than fifty percent (50%) of the total voting power of the stock outstanding of the surviving entity normally entitled to vote in elections of directors is not held by the parties holding at least fifty percent (50%) of the total voting power of the stock outstanding immediately prior to such consolidation or merger; or (c) such Party conveys, transfers or leases all or substantially all of its assets to any Third Party.

1.9 "**Change of Control Group**" means, with respect to the Change of Control of a Party, the Person that is the acquirer of such Party following such Change of Control, together with Affiliates of such Person that are not Affiliates of such Party immediately prior to the completion of such Change of Control of such Party.

1.10 "**Clinical Trial**" means a Phase 1 Clinical Trial, Phase 2 Clinical Trial, Phase 2b Clinical Trial, Phase 3 Clinical Trial, Phase 4 Clinical Trial or any combination thereof.

1.11 " **CNS Indication**" means any condition, disorder and/or disease primarily involving the central nervous system in humans or animals, and for which therapeutic treatment with a compound would require crossing of the blood-brain barrier by such compound.

1.12 "**CNS Penetrant**" means (a) Rxxx, (b) any Rxxx Backup, (c) any compounds Covered by [*] that meet the CNS Penetrant Criteria , (d) any other compounds Covered by any composition of matter claim of a Rigel Patent where such claim Covers Rxxx or any Rxxx Backup, that meet the CNS Penetrant Criteria, or (e) any pro-drug, salt, free acid form, free base form, hydrate, solvate, polymorph, enantiomer, racemate, amorphous form or co-crystal or other physical form or co-form of (a) through (d).

1.13 "**CNS Penetrant Development Plan**" means a plan for Development of CNS Penetrants and CNS Penetrant Products, which shall be initially prepared by Lilly and confirmed in a written notice to Rigel (provided that any activities allocated to Rigel shall be mutually agreed by the Parties) as soon as practicable following the Execution Date , as may be amended in accordance with Section 3.2(c) (Review and Amendments).

1.14 "**CNS Penetrant Criteria**" means the criteria set forth in **Exhibit 1.14 (CNS Penetrant Criteria)**.

1.15 "**CNS Penetrant Product**" means a product incorporating or comprising one or more CNS Penetrants (alone or in combination with one or more other active ingredients) in any form, presentation, formulation, dosage strength or mode of administration.

1.16 "**CNS Program**" means the Parties' activities under this Agreement with respect to CNS Penetrants and CNS Penetrant Products, including under the CNS Penetrant Development Plan.

1.17 "**CNS Research Term**" means the period beginning on the Effective Date and, unless otherwise agreed by the Parties, ending on the earlier of [*] or [*] after the Effective Date.

1.18 "**Combination Product**" means any pharmaceutical product that comprises one or more Compounds together with one or more other active pharmaceutical ingredients, so long as both the Compound(s) and other active pharmaceutical ingredient(s) ("**Other Technolog(ies)**") are sold together as a single unit for a single price.

1.19 "**Commencement,**" with respect to a Clinical Trial for a Product, means the first dosing of the first human subject in such Clinical Trial.

1.20 "**Commercialize**" means to conduct any pre-launch activities, including any non-promotional activities such as activities typically conducted by medical affairs or seeking pricing and reimbursement approval, or any activities after Marketing Approval for a particular Product that relate to the commercial marketing and sale of such Product including advertising, marketing, promotion, distribution, and Phase 4 Clinical Trials.

1.21 "**Commercially Reasonable Efforts**" means, with respect to a Party and such Party's obligations or tasks under this Agreement to conduct an activity with respect to a Compound or Product, the carrying out of such obligations or tasks in a manner consistent with such Party's own compounds and products with a similar commercial and scientific potential that it is actively developing or commercializing, at a similar stage in their lifecycle, taking into account their safety and efficacy, their cost to develop, the competitiveness of alternative products and the nature and extent of their market exclusivity (including Patent coverage and regulatory exclusivity), the likelihood of Marketing Approval, their profitability, including the amounts of marketing and promotional expenditures, and all other relevant factors normally considered by such Party.

1.22 "**Committee**" means the JSC, JDC, JCC and any other subcommittee created by the JSC in accordance with Section 2.2(b)(xii).

1.23 "**Compound**" means any Non-CNS Penetrant or CNS Penetrant.

1.24 "**Confidential Information**" means, with respect to a Party, all Information of such Party that is disclosed to the other Party under this Agreement. All confidential information which has been disclosed by either Party pursuant to the Existing Confidentiality Agreement shall be deemed to be such Party's Confidential Information hereunder.

1.25 "**Control**" means, with respect to a Party and any material, Information, or intellectual property right, that such Party or its Affiliates owns or has a license to such material, Information, or intellectual property right and has the ability to grant access, a license, or a sublicense (as applicable) to such material, Information, or intellectual property right to the other Party on the terms and conditions set forth herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such access, license, or sublicense is first required to be granted to the other Party, provided that if the terms of such agreement or other arrangement expire or otherwise thereafter permit the grant of access, a license or sublicense on the terms and conditions set forth herein, the material, Information or intellectual property right will (with no further action) be deemed to be Controlled at such time. Notwithstanding the foregoing, following a Change of Control of a Party, the following shall not be deemed to be Controlled by such Party: (a) any material, Information or intellectual property right owned or licensed by any member of the Change of Control Group immediately prior to such Change of Control and (b) any material, Information or intellectual property right that any member of the Change of Control Group develops following the Change of Control so long as such development activity is segregated from activities under this Agreement.

1.26 "Cover" means, with respect to a Valid Claim of a Patent and a compound or technology, that the use, manufacturing, offer for sale, sale or importation of such compound, product or technology would infringe such Valid Claim of such Patent or, in the case of a Patent that has not yet issued, would infringe such Valid Claim of such Patent if it were to issue.

1.27 "**Detail**" means a personal face to face contact by a sales representative with a healthcare provider which involves a Product presentation and is performed with a view to inform the healthcare provider about the specific Product's characteristics. For clarity, such face-to-face contact may be delivered in person or via a real time audio-visual electronic interaction between the sales representative and the healthcare provider.

1.28 "**Development**" means any and all activities related to research, pre-clinical and other non-clinical testing, and Clinical Trials (other than Phase 4 Clinical Trials or any other post-Marketing Approval Clinical Trials), including test method development and stability testing, toxicology, formulation, process development, device development, Manufacturing in support of the foregoing activities and manufacturing scale-up, qualification and validation, quality assurance/quality control, any statistical analysis and report writing, the preparation and submission of Regulatory Materials pertaining to seeking and obtaining Marketing Approval for a therapeutic product (excluding any activities required for obtaining pricing and reimbursement approval but not for other elements of the Marketing Approval) and interacting with Regulatory Authorities regarding any of the foregoing, in each case excluding any pre- and post-Marketing Approval commitments mandated by Regulatory Authorities and any Commercialization activities.

1.29 "**Development Plan**" means each of the CNS Penetrant Development Plan, Non-CNS Penetrant Development Plan and R552 Development Plan.

1.30 "**Dollar**" or "**$**" means a U.S. dollar.

1.31 "**Effective Date**" means the Execution Date unless either Party makes a filing under the HSR Act, in which case it will be: (a) solely in respect to Article 1 (Definitions) and Section 15.14 (HSR Filings), the Execution Date, and (b) in respect of all other terms of this Agreement, the Business Day immediately following the HSR Clearance Date.

1.32 "**EMEA**" means the European Medicines Evaluation Agency (also known as the European Medicines Agency or EMA), or its successor.

1.33 "**European Union**" **or** "**EU**" means any of the European Union member states as of the applicable time during the Term or any Major European Country irrespective of membership in the European Union.

1.34 "**Execution Date**" means February 18, 2021.

1.35 "**Existing Confidentiality Agreement**" means the Mutual Confidentiality Agreement by and between the Parties, effective on [*], as amended effective [*].

1.36 "**Exploit**" means to make, have made, import, use, sell, or offer for sale and Commercialize, including to research, develop, register, modify, enhance, improve, Manufacture, have Manufactured, hold/keep (whether for disposal or otherwise), formulate, optimize, have used, export, transport, distribute, promote, market or have sold or otherwise dispose or offer to dispose of, a product or process.

1.37 "**FD&C Act**" means the U.S. Federal Food, Drug and Cosmetic Act, as amended.

1.38 "**FDA**" means the U.S. Food and Drug Administration or its successor.

1.39 "**Field**" means all uses including any and all uses for the diagnosis, prevention, amelioration, and treatment of any disease or medical condition in humans and animals.

1.40 "**First Commercial Sale**" means, with respect to a Product and country, the first sale to a Third Party of such Product under this Agreement by Lilly, its Affiliates or its Sublicensees in such country after Marketing Approval for such Product has been obtained in such country and where the sale results in a Net Sale. "First Commercial Sale" will not include: (a) any distribution or other sale solely for expanded access program , named patient sales, treatment investigational new drug sales (within the meaning of 21 CFR §§ 312.34 and 312.35) or compassionate use sales or (b) sale of a Product by Lilly to an Affiliate or a Sublicensee of Lilly, unless such Affiliate or such Sublicensee is the end user of such Product and such sale results in a Net Sale.

1.41 "**FTE**" means a full-time equivalent person year of [*] hours of scientific, medical or technical work on studies or activities performed in accordance with this Agreement.

1.42 "**FTE Rate**" means a rate of [*] per annum per FTE to be pro-rated on a daily basis if necessary, such rate to exclude managerial activities (other than direct management of scientific, medical or technical work) and to be restricted to scientific or technical work related directly to the Compounds or Products. For the avoidance of doubt, such rate shall include all travel expenses and employee benefits (including pensions and bonus payments).

1.43 "**GCP**" or "**Good Clinical Practice**" means all applicable current Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of Clinical Trials, including, as applicable, (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**") Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.44 "**Generic Competition**" means, with respect to a Product in a country, the first occurrence of a Calendar Quarter wherein the Net Sales of such Product in such country in such Calendar Quarter are less than [*] of the average of the Net Sales of such Product in such country in the [*] Calendar Quarters prior to the first entry of a Generic Equivalent of such Product in such country.

1.45 "**Generic Equivalent**" means, with respect to a given Product in a given country, any product (including a "generic product") approved by way of an abbreviated regulatory mechanism by the relevant Regulatory Authority in such country by reference to the Marketing Authorization Application for such Product, and in each case: (a) sold in the same country as such Product other than by or under the authority of Lilly or its Affiliates or any Sublicensee or through a chain of distribution that included any of Lilly or any of its Affiliates or any Sublicensees; and (b) containing an active ingredient that is equivalent to that included in the Product, in each case, in a manner that permits substitution of such product for the Product under Applicable Law in such country without instruction or approval of the prescriber.

1.46 "**GLP**" or "**Good Laboratory Practice**" means the then-current standards for laboratory activities for pharmaceuticals, as set forth in the FDA's Good Laboratory Practice regulations as defined in 21 C.F.R. Part 58, the Council Directive 87/18/EEC, as amended, the principles for Good Laboratory Practice and/or the Good Laboratory Practice principles of the Organization for Economic Co-Operation and Development (OECD), and such standards of good laboratory practice as are required by the European Union and other organizations and governmental agencies in countries in which a Product is intended to be sold, to the extent such standards are not less stringent than United States Good Laboratory Practice.

1.47 "**Good Manufacturing Practices**," "**GMP**," or "**cGMP**" means all applicable Good Manufacturing Practices including, as applicable: (a) the principles detailed in the US Current Good Manufacturing Practices, 21 C.F.R. Parts 4, 210, 211, 601, 610 and 820; (b) European Directive 2003/94/EC and Eudralex 4; (c) the principles detailed in the WHO TRS 986 Annex 2, TRS 961 Annex 6 and TRS 957 Annex 2; (d) ICH Q7 guidelines and (e) the equivalent Applicable Laws in any relevant country, each as may be amended and applicable from time to time.

1.48 "**Governmental Authority**" means any multi-national, federal, state, local, municipal or other government authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, ministry, office, commission, council, official, court, arbitrator, tribunal or other instrumentality).

1.49 "**GRP**" or "**Good Research Practice**" means all applicable Good Research Practices including, as applicable: (a) the research quality standards defining how Lilly's research laboratories conduct good science for non-regulated work as set forth in Exhibit 3.6 Part A of this Agreement; (b) the Research Quality Association (RQA), 2014 Quality in Research Guidelines for Working in Non-Regulated Research; (c) the WHO Quality Practices in Basic Biomedical Research Guidelines; or (d) the equivalent applicable guidelines if any, in any relevant country, each as may be amended and applicable from time to time.

1.50 "**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act.

1.51 "**IND**" means (a) an Investigational New Drug Application as defined in the FD&C Act and applicable regulations promulgated thereunder by the FDA, or (b) the equivalent application to the equivalent agency in any other regulatory jurisdiction, the filing of which is necessary to initiate or conduct clinical testing of a pharmaceutical product in humans in such jurisdiction.

1.52 "**Indication**" means, with respect to a particular Product, the use of such Product for treating a disease, disorder or medical condition. For purposes of determining if Indications are separate and distinct, [*] separate and distinct Indications , and [*] a separate and distinct Indication.

1.53 "**Information**" means any data, results, and information of any type whatsoever, in any tangible or intangible form, including know-how, trade secrets, practices, techniques, methods, processes, inventions, developments, specifications, formulations, formulae, materials or compositions of matter of any type or kind (patentable or otherwise), software, algorithms, marketing reports, customer information, Personal Information, business or financial information, skill, experience, expertise, technology, test data, including pharmacological, biological, chemical, biochemical, toxicological, and clinical test data, analytical and quality control data, stability data, studies and procedures.

1.54 "**Insolvency Event**" means in relation to either Party, any one of the following: (a) that Party admits in writing its inability generally to pay its debts when they become due; (b) that Party is the subject of voluntary or involuntary bankruptcy proceedings instituted on behalf of or against such Party (except for involuntary bankruptcy proceedings which are dismissed within [*] days); (c) an administrative receiver, receiver and manager, interim receiver, custodian, sequestrator or similar officer is appointed for all or a substantial portion of that Party's assets; (d) a resolution has been passed by that Party's directors to wind up that Party; (e) that Party makes a general assignment or enters into a composition or arrangement with or for the benefit of all or a substantial portion of that Party's creditors; or (f) that Party otherwise becomes legally insolvent.

1.55 **"Internal Compliance Codes"** shall mean a Party's internal policies and procedures intended to ensure that a Party complies with Applicable Laws, Party Specific Regulations, and such Party's internal ethical, medical and similar standards.

1.56 "**Lead Non-CNS Penetrant**" means either: (a) R552, or (b) any other Non-CNS Penetrant that is selected as the lead candidate for Development pursuant to the Non-CNS Program , in substitution of R552, in the event that Development of R552 is discontinued.

1.57 "**Lead Non-CNS Penetrant Product**" means a Product incorporating or comprising the Lead Non-CNS Penetrant and no other active pharmaceutical ingredient.

1.58 "**Lilly Know-How**" means all Information that is Controlled as of the Effective Date or thereafter during the Term by Lilly to the extent reasonably necessary to Exploit a Compound (including, for clarity, where such Compound is comprised in a Product) in the Field in the Territory.

1.59 "**Lilly Patents**" means all Patents that are Controlled by Lilly as of the Effective Date or thereafter during the Term to the extent having a Valid Claim Covering, in whole or in part, the composition, manufacture or use of a Compound (including, for clarity, where such Compound is comprised in a Product).

1.60 "**Lilly Technology**" means the Lilly Patents and Lilly Know-How.

1.61 "**Major European Country**" means the United Kingdom, France, Germany, Italy and/or Spain.

1.62 "**Major Market**" means the U.S., each of the Major European Countries and/or Japan.

1.63 "**Manufacture**" and "**Manufacturing**" means, with respect to a product or compound, the synthesis, manufacturing, processing, formulating, packaging, labeling, holding and quality control testing and distribution of such product or compound.

1.64 "**Marketing Approval**" means, with respect to a particular Product for a particular Indication in a particular country or regulatory jurisdiction, all approvals (including, where applicable, any approval, agreement, determination or decision of any Regulatory Authority establishing the price or level of reimbursement for such Product, as required in a given country or jurisdiction prior to sale of such Product in such country or jurisdiction, or any applicable access approvals) necessary for the manufacture, marketing, importation and sale of such product for such Indication in such country or regulatory jurisdiction.

1.65 "**Marketing Authorization Application**" **or** "**MAA**" means an application for the Marketing Approval of a Product in a country or group of countries, including an NDA.

1.66 "**NDA**" means a New Drug Application, as defined in the FD&C Act and applicable regulations promulgated thereunder by the FDA for authorization for marketing of a Product.

1.67 "**Net Sales**" means, with respect to a particular Product, the gross amount invoiced by Lilly, its Affiliates, or any Sublicensee to Third Parties (excluding any Sublicensee) for such Product in the Territory, less:

(a) Normal and customary trade, quantity and cash discounts allowed;

(b) Discounts, refunds, rebates, chargebacks, retroactive price adjustments (including adjustments arising from consumer discount programs or other similar programs), and any other normal and customary allowances which effectively reduce the net selling price;

(c) Product returns and allowances;

(d) [*] ;

(e) Any tax imposed on the production, sale, delivery or use of the Product, including, sales, use, excise or value added taxes, or the annual fee imposed on the pharmaceutical manufacturers by the U.S. government ;

(f) [*];

(g) [*]; and

(h) [*].

Such amounts shall be determined from the books and records of Lilly or applicable Sublicensee, maintained in accordance with U.S. GAAP or, in the case of Sublicensees, such similar accounting principles, consistently applied. Lilly further agrees in determining such amounts, it will use Lilly's then-current standard procedures and methodology, including Lilly's then-current standard exchange rate methodology for the translation of foreign currency sales into Dollars or, in the case of Sublicensees, such similar methodology, consistently applied.

In the event that the Product is sold as part of a Combination Product, the Net Sales of the Product, for the purposes of determining royalty or commercial milestone payments, shall be determined by multiplying the Net Sales of the Combination Product (as defined in the standard Net Sales definition) by the fraction, A / (A+B) where A is the weighted average sale price of the Product when sold separately in finished form, and B is the weighted average sale price of the Other Technolog(ies) sold separately in finished or final form.

In the event that the weighted average sale price of the Product can be determined but the weighted average sale price of the Other Technolog(ies) cannot be determined, Net Sales for purposes of determining royalty or commercial milestone payments shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A / C where A is the weighted average sale price of the Product when sold separately in finished form and C is the weighted average sale price of the Combination Product.

In the event that the weighted average sale price of the Other Technolog(ies) can be determined but the weighted average sale price of the Product cannot be determined, Net Sales for purposes of determining royalty or commercial milestone payments shall be calculated by multiplying the Net Sales of the Combination Product by the following formula: one (1) minus (B / C) where B is the weighted average sale price of the Other Technolog(ies) when sold separately in finished or final form and C is the weighted average sale price of the Combination Product.

If the weighted average sale price of both the Product and the Other Technolog(ies) in the Combination Product cannot be determined, the Net Sales of the Product shall be deemed to be equal to the mutually agreed (by the Parties) percentage of the Net Sales of the Combination Product, based on the relative value and/or cost of the Product and Other Technolog(ies) in such Combination Product, such agreement not to be unreasonably withheld.

The weighted average sale price for a Product, Other Technolog(ies), or Combination Product shall be calculated once each Calendar Year and such price shall be used during all applicable royalty-reporting periods for the entire following Calendar Year. When determining the weighted average sale price of a Product, Other Technolog(ies), or Combination Product, the weighted average sale price shall be calculated by dividing the sales price (translated into Dollars) by the units of active pharmaceutical ingredient sold during the twelve (12) months (or the number of months sold in a partial Calendar Year) of the preceding Calendar Year for the respective Product, Other Technolog(ies), or Combination Product. In the initial Calendar Year, a forecasted weighted average sale price will be used for the Product, Other Technolog(ies), or Combination Product. Any over or under payment due to a difference between forecasted and actual weighted average sale prices will be paid or credited in the first royalty payment of the following Calendar Year.

1.68 "**Non-CNS Penetrant**" means (a) R552, (b) any R552 Backup, (c) any compounds Covered by [*] that do not meet the CNS Penetrant Criteria, (d) any other compounds Covered by any composition of matter claim of a Rigel Patent where such claim Covers R552 or any R552 Backup, that do not meet the CNS Penetrant Criteria, or (e) any pro-drug, salt, free acid form, free base form, hydrate, solvate, polymorph, enantiomer, racemate, amorphous form or co-crystal or other physical form or co-form of (a) through (d).

1.69 "**Non-CNS Penetrant Development Plan**" means a plan for Development of Non-CNS Penetrants and Non-CNS Penetrant Products, which as of the Execution Date is set forth in **Exhibit 1.69 (Initial Non-CNS Penetrant Development Plan)**, as may be amended in accordance with Section3.2(c) (Review and Amendments).

1.70 "**Non-CNS Penetrant Product**" means a product incorporating or comprising one or more Non-CNS Penetrants (alone or in combination with one or more other active ingredients) in any form, presentation, formulation, dosage strength or mode of administration.

1.71 "**Non-CNS Program**" means the Parties' activities under this Agreement with respect to Non-CNS Penetrants and Non-CNS Penetrant Products, including under the Non-CNS Penetrant Development Plan.

1.72 **"Non-GxP Activities"** means those activities required to perform any obligation under a Development Plan, where such activities are not required under this Agreement to comply with any of GLP, GRP, GCP or GMP.

1.73 "**Out-of-Pocket Expenses**" means, for a Party, and with respect to such Party's activities hereunder, the direct expenses paid to Third Parties (or payable to Third Parties and accrued in accordance with such Party's Accounting Standards as generally and consistently applied throughout such Party's organization) by such Party and/or its Affiliates, and specifically identifiable and incurred to conduct such activities, including payments to subcontractors, but excluding, for clarity, any internal or general overhead expenditures incurred by such Party in respect of such activities or such payments. For the avoidance of doubt, "Out-of-Pocket Expenses" shall exclude all travel expenses for a Party's personnel.

1.74 **"Party Specific Regulations"** shall mean all judgments, decrees, orders or similar decisions issued by any Governmental Authority specific to a Party, and all consent decrees, corporate integrity agreements, or other agreements or undertakings of any kind by a Party with any Governmental Authority, in each case as the same may be in effect from time to time and applicable to a Party's activities contemplated by this Agreement.

1.75 "**Patent**" means (a) all patents and patent applications, including provisional patent applications and national, regional and international patent applications, (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from any of these, including divisionals, continuations, continuations-in-part, converted provisionals, and continued prosecution applications, (c) any and all patents that have issued or in the future issue from the foregoing patent applications in (a) and (b), including utility models, petty patents and design patents and certificates of invention, (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including adjustments, revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications in (a), (b) and (c), and (e) any similar rights, including so-called pipeline protection, or any importation, revalidation, confirmation or introduction patent or registration patent or patents of addition to any of such foregoing patent applications and patents.

1.76 "**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency or a government.

1.77 "**Personal Information**" means, in addition to any definition for any similar term (e.g., "personal data" or "personally identifiable information" or "PII") provided by Applicable Laws, all information that identifies, could be used to identify or is otherwise associated with an individual person, whether or not such information is directly associated with an identified individual person.

1.78 "**Phase 1 Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is to determine initial tolerance or safety of such product in healthy volunteers or patients, including as described in 21 C.F.R. § 312.21(a), or a similar clinical trial prescribed by the Regulatory Authorities in a country other than the U.S.

1.79 "**Phase 2 Clinical Trial**" means a human clinical trial of a product that is designed to include some evaluation of preliminary evidence of biological activity or efficacy of such product, but need not have a principal purpose to evaluate the effectiveness of such product in a target patient population. For avoidance of doubt, a Phase 2 Clinical Trial need not be identified as such in a Development Plan, protocol or elsewhere, to meet this definition.

1.80 "**Phase 2b Clinical Trial**" means a human clinical trial of a product, the principal purpose of which is to evaluate the effectiveness of such product in a human population, including as described in 21 C.F.R. § 312.21(b), or a similar clinical trial prescribed by the Regulatory Authorities in a country other than the U.S., in each case, which clinical trial is [*]. For avoidance of doubt, a Phase 2b Clinical Trial need not be identified as such in a Development Plan, protocol or elsewhere, to meet this definition.

1.81 "**Phase 3 Clinical Trial**" means a human clinical trial of a product on a sufficient number of subjects that is designed to (a) evaluate overall benefit risk profile, (b) define possible warnings, precautions and adverse reactions that are associated with such product in the dosage range to be prescribed, and (c) support Marketing Approval of such product, including as described in 21 C.F.R. § 312.21(c), or a similar clinical trial prescribed by the Regulatory Authorities in a country other than the U.S. For avoidance of doubt, a Phase 3 Clinical Trial need not be identified as such in a Development Plan, protocol or elsewhere, to meet this definition.

1.82 "**Phase 4 Clinical Trial**" means a human clinical trial of a product conducted after Marketing Approval of such product has been obtained from an appropriate Regulatory Authority, which trial is (a) conducted voluntarily by a Party to enhance marketing or scientific knowledge of the product (including, for clarity, any post-marketing surveillance studies and registries sponsored by the Parties, epidemiological models, or pharmacoeconomic studies), or (b) conducted due to a request or requirement of a Regulatory Authority.

1.83 "**Product**" means a product incorporating or comprising one or more Compounds (alone or in combination with one or more other active ingredients) in any form, presentation, formulation, dosage strength or mode of administration. Products having different active pharmaceutical ingredients shall be considered distinct Products.

1.84 "**Program**" means each of the CNS Program and Non-CNS Program.

1.85 "**R552**" means the compound set forth on **Exhibit 1.85 (R552)**. Notwithstanding the foregoing, if Development of such compound is discontinued prior to Marketing Approval of a Product incorporating or comprising such compound, then "**R552**" shall mean the Lead Non-CNS Penetrant selected by the JSC to be Developed in lieu of Development of such compound ; provided that the discontinued compound shall continue to be a Non-CNS Penetrant for all purposes under this Agreement following any such substitution.

1.86 "**R552 Backup**" means any RIP1 Inhibitor (other than R552) that does not meet the CNS Penetrant Criteria.

1.87 "**R552 Clinical Trial Material**" means R552 Product or placebo, as applicable, that is in a finished pharmaceutical dosage form that is (a) suitable for administration and dosing to humans in Clinical Trials, but (b) not intended for commercial sale (for example, in a form that does not include external packaging and package inserts).

1.88 "**R552 Development Costs**" means the following costs incurred by the Parties following the Effective Date in Developing R552 and R552 Product in the Field directed to obtaining Marketing Approval by the FDA and the EMEA, in each case to the extent incurred in accordance with this Agreement and the R552 Development Plan: (a) all Third Party invoiced Out-of-Pocket Expenses incurred for activities specified in the R552 Development Plan; (b) the costs and expenses of scientific, medical, technical or managerial personnel directly engaged in such efforts, which costs shall be determined based on the applicable FTE Rate based on time actually spent performing the applicable activities, unless another basis is otherwise agreed by the Parties in writing; (c) the costs and expenses for clinical trial insurance as set forth in the R552 Development Plan; (d) the costs and expenses incurred for: (i) development of the Manufacturing process and formulation and validation of R552 Product (provided that such costs, to the extent associated with or used for products in addition to the R552 Product shall be fairly and equitably allocated to R552 Product and other product(s) such that the allocation to R552 Product does not include a disproportionate portion of such costs); (ii) Manufacturing scale-up (excluding, however,

any capital costs, costs associated with physical plant improvements or similar costs, in each case other than depreciation); (iii) stability testing for R552 and R552 Product; (iv) quality assurance/quality control development for Manufacture of R552 Clinical Material; and (v) the manufacture of R552 Clinical Trial Material, in each case as set forth in the R552 Development Plan; (e) Development costs and expenses incurred after receipt of Marketing Approval by the FDA for R552 Product, including costs and expenses associated with pre- and post-Marketing Approval commitments mandated by Regulatory Authorities or any Phase 4 Clinical Trials for R552 Product; and (f) any other related or incidental costs and expenses incurred that are explicitly included in the R552 Development Plan. Notwithstanding the foregoing, R552 Development Costs shall not include any overhead except as permitted to be included in the FTE Rate. For avoidance of doubt, R552 Development Costs do not include (i) any costs or expenses incurred in preparing and filing Regulatory Materials and meeting or otherwise interacting with Regulatory Authorities in connection therewith or (ii) any costs and expenses for validating any manufacturing facility or equipment.

1.89 "**R552 Development Plan**" means the plan for Development of R552 and R552 Product directed to obtaining Marketing Approval of R552 Product by the FDA and the EMEA, which as of the Execution Date is set forth in **Exhibit 1.89 (Initial R552 Development Plan)**, as may be amended in accordance with Section3.2(c) (Review and Amendments). The R552 Development Plan is included in, and as of the Effective Date constitutes the entirety of, the Non-CNS Penetrant Development Plan.

1.90 "**R552 Phase 1 Clinical Trial**" means the Phase 1 Clinical Trial of the R552 Product titled "A Phase I, Single-Centre Study to Investigate the Safety, Tolerability and Pharmacokinetics of Single and Multiple Doses of R941552 (R552) in Healthy Subjects."

1.91 "**R552 Product**" means a Product incorporating or comprising R552 and no other active pharmaceutical ingredient.

1.92 "**R552 Transition Plan**" means a transition plan agreed upon by the Parties that governs the initial technology transfer from Rigel to Lilly with respect to R552 after the Effective Date.

1.93 "**Regulatory Authority**" means, in a particular country or regulatory jurisdiction, any applicable Governmental Authority involved in granting Marketing Approval and/or, to the extent required in such country or regulatory jurisdiction, pricing or reimbursement approval of a Product in such country or regulatory jurisdiction, including: (a) the FDA, (b) the EMEA, (c) the European Commission, (d) the Medicines and Healthcare Products Regulatory Agency ("**MHRA**") and (e) the Japanese Ministry of Health, Labour and Welfare, and in each of (a) through (e), including any successor thereto.

1.94 "**Regulatory Materials**" means regulatory applications, submissions, notifications, registrations, Marketing Approvals and/or other filings made to or with a Regulatory Authority that are necessary or Lilly deems reasonably desirable in order to Develop, Manufacture, market, sell or otherwise Commercialize a Product in a particular country or regulatory jurisdiction, including INDs, MAAs, and NDAs.

1.95 "**Rigel Know-How**" means all Information that is Controlled as of the Effective Date or thereafter during the Term by Rigel or its Affiliates to the extent reasonably necessary or useful to Exploit a Compound (including, for clarity, where such Compound is comprised in a Product) in the Field in the Territory.

1.96 "**Rigel-Only R552 Development Activities**" means those activities under the R552 Development Plan to be conducted at Rigel's sole expense and set forth in **Exhibit 1.96 (Rigel-Only R552 Development Activities)**.

1.97 "**Rigel Patents**" means all Patents that are Controlled by Rigel or its Affiliates as of the Effective Date , including those Patents listed in **Exhibit 1.97 (Rigel Patents)** or thereafter during the Term to the extent having a claim Covering, in whole or in part, the composition, manufacture or use of a Compound (including, for clarity, where such Compound is comprised in a Product).

1.98 "**Rigel Technology**" means the Rigel Patents and Rigel Know-How.

1.99 "**RIP1**" means the receptor-interacting serine/threonine-protein kinase 1 encoded by the RIPK1 gene in humans represented by NCBI RefSeq NM_003804, as well as derivatives, variants, fragments or mutants thereof which retain the kinase activity of the receptor-interacting serine/threonine-protein kinase 1.

1.100 "**RIP1 Inhibitor**" means a small molecule that meets the criteria specified in **Exhibit 1.100 (RIP1 Inhibitor Criteria)**.

1.101 "**Rxxx**" means the RIP1 Inhibitor Developed under the CNS Penetrant Development Plan that meets the CNS Penetrant Criteria and is selected in accordance with Section 3.4(a) (CNS Penetrant Lead Identification). Notwithstanding the foregoing, if Development of such compound is discontinued prior to Marketing Approval of a Product incorporating or comprising such compound, then "**Rxxx**" shall mean the Lead CNS Penetrant selected to be Developed in lieu of Development of such compound; provided that the discontinued compound shall continue to be a CNS Penetrant for all purposes under this Agreement following any such substitution.

1.102 "**Rxxx Backup**" means any RIP1 Inhibitor other than Rxxx that meets the CNS Penetrant Criteria.

1.103 "**Rxxx Transition Plan**" means a transition plan agreed upon by the Parties following Rxxx Acceptance that governs the initial technology transfer from Rigel to Lilly with respect to Rxxx.

1.104 "**SEC**" means the U.S. Securities and Exchange Commission.

1.105 "**Territory**" means all countries and territories in the world.

1.106 "**Third Party**" means any entity other than Rigel or Lilly or an Affiliate of either of them.

1.107 "**Trademark**" means any word, name, symbol, color, designation or device or any combination thereof that functions as an identifier of the source or origin of goods or services, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo, business symbol or domain name, whether or not registered.

1.108 "**U.S.**" means the United States and all its possessions and territories, including Puerto Rico.

1.109 "**Valid Claim**" means, with respect to a Compound or Product, any claim: (a) of (i) an issued and unexpired patent, or (ii) a pending patent application that (1) continues to be prosecuted in good faith, and (2) has not been pending for more than [*] after the date of its first substantive office action, which claim (b) has not been abandoned, revoked or held unenforceable, invalid or unpatentable by a court or other government body of competent jurisdiction and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise.

1.110 Additional Definitions. In addition, each of the following terms shall have the meaning described in the corresponding Section of this Agreement identified below.

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ARTICLE 2

Governance

2.1 Overview. The Parties shall establish a joint steering committee ("**JSC**") to perform the functions set forth in Section 2.2(b) (JSC Responsibilities) and oversee such portion of the Parties' activities under this Agreement that are subject to the Development cost-sharing arrangements described in Article 3, and to facilitate communication and decision making between the Parties with respect to the Development, Manufacture and Commercialization of Compounds and Products. The JSC may create additional committees, such as a JCC, in accordance with Section 2.2(b)(xii). The Parties shall establish a joint development committee ("**JDC**") to perform the functions set forth in Section2.3(b) (JDC Responsibilities) and oversee that portion of the Development of the Compounds and Products that are subject to the cost-sharing arrangements described in Article 3. Each Party will provide the other Party in writing with the name, title, e-mail address and telephone number of its initial JSC and JDC members.

2.2 Joint Steering Committee.

(a) **JSC Formation.** The JSC shall consist of four (4) or six (6) members, as agreed by the Parties, with each Party appointing one-half of the total members (one (1) member of each of Lilly and Rigel named co-chairs), each having appropriate experience to facilitate discussion of the issues within the purview of the JSC. Except as otherwise expressly provided for herein, each representative shall have decision-making authority on behalf of the Party it represents pursuant to this Article 2. Each Party shall appoint its initial members of the JSC by providing written notification to the other Party on or promptly following the Effective Date.

(b) **JSC Responsibilities**. In addition to its overall responsibility for monitoring and providing a forum to discuss each Party's activities under this Agreement, including those that are subject to the Development cost-sharing arrangements described in Article 3, the JSC shall in particular:

(i) facilitate the flow of Information between the Parties with respect to the co-Commercialization of Compounds and Products;

(ii) review and discuss the progress of Development, Manufacturing and co-Commercialization of Compounds and Products;

(iii) coordinate activities of the Parties in connection with that portion of the Development of Compounds and Products that are subject to the Development cost-sharing arrangements described inArticle 3, including with respect to any interactions with Regulatory Authorities;

(iv) if Development of R552 is discontinued, select a Lead Non-CNS Penetrant to replace R552;

(v) review the Rxxx Data Package and, if applicable, approve the selection of a RIP1 Inhibitor that meets the CNS Penetrant Criteria for designation as Rxxx pursuant to Section 3.4(a) (CNS Penetrant Lead Identification);

(vi) if applicable, review the Rxxx Continuation Data Package and approve the selection of a RIP1 Inhibitor that meets the CNS Penetrant Criteria for designation as Rxxx pursuant to Section 3.4(b)(iv) (Rxxx Acceptance);

(vii) review and provide feedback regarding proposed amendments of each Development Plan, including the overall strategy and design of all Clinical Trials and other studies conducted under each Development Plan, in each case, to the extent such amendment relates to an activity that is, or such Clinical Trial is, subject to the Development cost-sharing arrangements described in Article 3;

(viii) approve amendments of the Non-CNS Penetrant Development Plan, including the R552 Development Plan, in each case to the extent such amendment relates to an activity under such plan that is subject to the Development cost-sharing arrangements described in Article 3;

(ix) approve amendments of the CNS Penetrant Development Plan with respect to activities through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package;

(x) review and provide feedback regarding such portions of the Commercialization Plan (and amendments thereto) that relate to co-Commercialization activities in the United States being undertaken by Rigel or Lilly;

(xi) with respect to the Commercialization of Non-CNS Penetrant Products in the U.S. if Rigel has not delivered a Stage 1 Opt-Out Notice and has exercised its right to co-Commercialize the applicable Non-CNS Penetrant Product pursuant to Section 5.1 (Overview), oversee and coordinate activities of the Parties, discuss and review marketing studies, discuss pricing strategies (it being understood that Lilly will have sole decision making rights with respect to pricing and reimbursement matters), and review and approve promotional and training materials;

(xii) establish such additional joint subcommittees or subteams, e.g., a joint commercialization committee ("**JCC**"), Joint Ethics and Compliance Committee ("**JECC**") or a finance committee ("**Finance Committee**"), as it deems necessary to achieve the objectives and intent of this Agreement;

(xiii) coordinate and oversee the operation of the JDC, any JCC, the Finance Committee and any other Committee established by JSC,

(xiv) resolve any issues presented to the JSC by any other Committee; and

(xv) perform such other functions as appropriate to further the purposes of this Agreement as allocated to it in writing by the Parties.

2.3 Joint Development Committee.

(a) **JDC Formation.** The JDC shall consist of four (4) or six (6) members, as agreed by the Parties, with each Party appointing one half of the total members (with one (1) member of each of Lilly and Rigel named co-chairs) each having appropriate experience to facilitate discussion of the issues within the purview of the JDC. Except as otherwise expressly provided for herein, each Party's representatives shall have decision making authority on behalf of the Party it represents pursuant to this Article 2. Each Party shall appoint its initial members of the JDC by providing written notification to the other Party on or promptly following the Effective Date.

(b) **JDC Responsibilities**. In addition to its overall responsibility for monitoring and providing a forum to discuss each Party's Development activities that are subject to the Development cost-sharing arrangements described in Article 3 under this Agreement, the JDC shall in particular:

(i) (A) review and finalize for approval by the Parties the R552 Transition Plan, as soon as reasonably practicable but in any event within six (6) months following the Effective Date, and any update thereto, and (B) oversee and coordinate the execution of the R552 Transition Plan;

(ii) following Rxxx Acceptance, (A) review and finalize for approval by the Parties the Rxxx Transition Plan and any update thereto, and (B) oversee and coordinate the execution of the Rxxx Transition Plan;

(iii) review and coordinate the transfer of Regulatory Materials between the Parties and any interactions with Regulatory Authorities with respect to Compounds and Products;

(iv) review and finalize for submission to the JSC proposed amendments of each Development Plan (including any updates or amendments to the Non-CNS Penetrant Development Budget and R552 Development Budget) , for such activities under such plan that are subject to the Development cost-sharing arrangements described in Article 3 (it being understood and agreed by the Parties that, except as otherwise expressly provided in Article 3, any activities not subject to the Development cost-sharing arrangements described in Article 3 shall fall outside the scope of, and not be accounted for, in any Development Plan, nor in the Non-CNS Penetrant Development Budget nor the R552 Development Budget);

(v) establish procedures for quarterly reporting of R552 Development Costs, quarterly review and discussion of potential discrepancies, quarterly reconciliation, reasonable cost forecasting, and other finance and accounting matters related to R552 Development Costs, as further described in Section 3.8(a) (R552 Development Cost Sharing) ("**R552 Development Cost Reconciliation Procedures**");

(vi) reconcile financial and accounting matters between the Parties in accordance with the R552 Development Cost Reconciliation Procedures;

(vii) reasonably cooperate to ensure that the Non-CNS Penetrant Development Budget and R552 Development Budget can be interpreted for the purposes of both Parties' internal financial and audit reporting requirements, including each Party's fiscal year reporting;

(viii) review the requirements for obtaining Marketing Approval of Products in the Territory;

(ix) facilitate the flow of Information between the Parties with respect to the Development of, and obtaining Marketing Approval for, the Products;

(x) review and monitor the activities being conducted under the Development Plans, including selection of sites for the conduct of Clinical Trials and any Third Party service providers that will conduct such activities;

(xi) review proposed timing for announcing the top-line results of each Clinical Trial of a Product;

(xii) review and monitor R552 Development Costs and facilitate R552 Cost Sharing;

(xiii) review and discuss scientific presentation and publication strategy relating to the Products in the Territory, and review and facilitate discussion of any requests in relation to publications pursuant to Section 12.5 (Publications); and

(xiv) perform such other functions as appropriate to further the purposes of this Agreement as allocated to the JDC in writing by the Parties.

(c) **Pre-Approvals** . Notwithstanding anything to the contrary in this Agreement, the Parties each acknowledge and agree that the pre-clinical studies that Lilly may optionally conduct in respect of Rxxx Development, as further described in the last sentence of Section 3.4(a) (CNS Penetrant Lead Identification), may be commenced by Lilly as of the Effective Date and that such activities shall not require any further approval or consent of the Parties, including through the JSC, JDC or any committees thereto.

2.4 Committees

(a) **Composition.** Each Committee may change its size from time to time by mutual consent of its members provided that such Committee shall at all times consist of an equal number of representatives of each of Rigel and Lilly. Each Party may replace its Committee representatives at any time upon written notice to the other Party. Each Party may invite non-members to participate in the discussions and meetings of a Committee, provided that such participants shall have no voting authority as outlined in Section 2.4(c) (Decision Making) for any Committee and shall be bound by non-disclosure and non-use obligations with respect to Confidential Information that are consistent with Article 12 (Confidentiality). The role of the co-chairpersons shall be to convene and preside at meetings of such Committee.

(b) **Meetings.** Each Committee shall meet on a Calendar Quarterly basis during the Term unless the Parties mutually agree in writing to a different frequency for such meetings. Each Committee may meet in person or by videoconference or by teleconference. Notwithstanding the foregoing, at least two (2) meetings per Calendar Year shall be in person unless the Parties mutually agree in writing to waive such requirement in favor of a videoconference or teleconference. In-person Committee meetings will be alternately held in the Parties' respective locations unless otherwise mutually agreed by the Parties. Each Party will bear the expense of its respective Committee members' participation in Committee meetings. Meetings of each Committee shall be effective only if at least one (1) representative of each Party is present or participating in such meeting. The Parties' respective co-chairpersons, or their delegates, of the applicable Committee will be responsible on an alternating basis for preparing the agenda for Committee meetings and reasonably detailed written minutes of all Committee meetings that reflect, without limitation, material decisions made at such meetings. The applicable Committee co-chairperson or their delegate shall send draft meeting minutes to each member of the Committee for review and approval within ten (10) Business Days after each Committee meeting. Such minutes will be deemed approved unless one or more members of the Committee objects to the accuracy of such minutes within ten (10) Business Days of receipt.

(c) **Decision-Making.** Except as set forth in this Section2.4(c) (Decision-Making), the decisions of each Committee shall be made by unanimous agreement. The Committee co-chair from each Party will have, one (1) vote on behalf of that Party with respect to decisions by such Committee, and that vote shall be deemed to be the vote of the Party. If any Committee other than the JSC cannot reach unanimous agreement on an issue within ten (10) Business Days, then such matter shall be submitted to the JSC for decision. If the JSC cannot reach unanimous agreement within ten (10) Business Days then:

(i) for matters pertaining to [*], (A) neither Party shall have final decision-making authority (and the last mutually agreed [*] and [*], as applicable to such matter, shall continue to govern) with respect to activities subject to [*], (B) [*] shall have final decision-making authority with respect to [*], and (C) [*]shall have final decision-making authority with respect to [*], including [*];

(ii) [*] shall have final decision-making authority for activities pertaining to (a) [*] and (b) [*] with respect to [*]; and

(iii) for matters pertaining to [*], [*] will have final decision-making authority [*] and, if applicable in the case of [*], the [*] and [*] will have final decision-making authority [*] (for clarity, [*]).

(d) **Final Decision-Making Considerations**. Notwithstanding anything to the contrary in this Agreement, a Party, in exercising such final decision-making authority: (x) will take into reasonable consideration the recommendations and concerns raised by the other Party; (y) will make such decisions in good faith using reasonable business judgment, which will not be unreasonably delayed; and (z) will not have the right to (1) amend, modify or waive compliance with any term or condition of this Agreement, (2) make any decision that is expressly stated to require the mutual agreement of the Parties, (3) resolve any claim or dispute regarding whether or in what amount a payment is owed under this Agreement, (4) exercise its final decision-making authority in a manner that would require the other Party to perform any act that such other Party reasonably believes would violate Applicable Laws, (5) make a determination that the other Party is in material breach of any obligation under this Agreement or (6) amend or modify any Development Plan (including the R552 Development Budget) if such amendment or modification would require the other Party to expend additional resources, whether internal or external, for which such Party would not reimburse such other Party as provided herein. In addition, neither Party shall have final decision-making authority with respect to any financial matters within the purview of the Finance Committee, and any dispute regarding such financial matters shall be resolved pursuant to Article 14 (Dispute Resolution).

(e) **Authority.** Each Committee shall have solely the powers expressly assigned to it in this Article 2 (Governance) and elsewhere in this Agreement and shall not have any power to otherwise amend, modify, or waive compliance with this Agreement.

2.5 Alliance Managers. Within thirty (30) days following the Effective Date, each Party will appoint (and notify the other Party of the identity of) a representative having the appropriate qualifications including a general understanding of pharmaceutical development and commercialization issues to act as its alliance manager under this Agreement ("**Alliance Manager**"). For clarity, an Alliance Manager may also be a member of the JSC, JDC, JECC or any Committee. The Alliance Managers will serve as the primary contact points between the Parties for the purpose of providing each Party with information on the progress of the other Party's Development and Commercialization of the Products and will be primarily responsible for facilitating the flow of information, promoting communication, coordinating the Parties' activities under this Agreement relating to the Product, and providing support to the Committees. Additionally, the Alliance Manager will be responsible for providing single point communication for seeking consensus internally within each Party's respective organization (including facilitating review of external corporate communications), and raising cross-Party and/or cross-functional disputes in a timely manner. Each Party may replace its Alliance Manager on written notice to the other Party.

2.6 Discontinuation of Participation on a Committee. On a Committee-by-Committee basis, each Committee shall continue to exist until the first to occur of (a) the Parties mutually agreeing in writing to disband such Committee, as applicable, (b) Rigel providing to Lilly written notice of its intention to no longer participate in the Committee, as applicable, (c) with respect to the JDC, the cessation of Development under all Development Plans, provided that the JDC shall resume upon commencement of any such Development activities, or (d) with respect to the JSC, for so long as both of the following are true: (i) neither Rigel nor Lilly nor any of their Affiliates or any Sublicensees are participating in the Commercialization of a Product, and (ii) there has been a First Commercial Sale of such Product ; provided that, notwithstanding anything in this Agreement to the contrary, where each Development Plan hereunder has been completed and neither Rigel, its Affiliates nor its Sublicensees are co-Commercializing a Product in the Territory: (1) the JSC shall only be required to meet once (1) annually for the remainder of the Term, and the responsibilities of the JSC shall be thereafter limited to discussing the progress of Lilly's Commercialization of the Products, and (2) any JCC or Finance Committee established hereunder shall be disbanded. Unless otherwise expressly provided hereunder, if a Committee has been disbanded, then (x) any requirement of a Party to provide Information or other materials to such Committee shall be deemed a requirement to provide such Information or other materials to the other Party directly, and (y) any matters previously delegated to the disbanded Committee for decision making may be decided by Lilly. Following discontinuation of the JSC as described above, the JSC shall have no further obligations under this Agreement.

ARTICLE 3

Development

3.1 Overview.

(a) **Non-CNS Penetrants and Non-CNS Penetrant Products.** Rigel shall be responsible for conducting those activities allocated to Rigel in the R552 Development Plan and Lilly shall be responsible for conducting all other Development of Non-CNS Penetrants and Non-CNS Penetrant Products in accordance with the Non-CNS Penetrant Development Plan. With respect to costs, (i) Rigel shall solely bear the costs for the conduct of Rigel-Only R552 Development Activities as set forth in **Exhibit 1.96 (Rigel-Only Development Activities)** and shall solely bear the first [*] of R552 Development Costs, as further described in Section 3.8(g) (Rigel Costs), (ii) subject to Section 3.8(a) (R552 Development Cost Sharing) below and the foregoing Section 3.1(a)(i), the Parties shall share the costs for Development of R552 directed to obtaining Marketing Approval of R552 Product by the FDA , the EMEA and in Japan (other than such Rigel-Only R552 Development Activities) in accordance with Section 3.8(a) (R552 Development Cost Sharing), and (iii) subject to Section 3.8(a) (R552 Development Cost Sharing) below, Lilly shall solely bear the costs for the conduct of all other Development of Non-CNS Penetrants and Non-CNS Penetrant Products.

(b) **CNS Penetrants and CNS Penetrant Products.** Rigel shall be responsible for the discovery and identification of CNS Penetrants during the CNS Research Term through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package, in accordance with the CNS Penetrant Development Plan, at Rigel's expense. Following the earlier of Rxxx Acceptance and Lilly Rxxx Continuation, Lilly shall be responsible for the Development of CNS Penetrants and CNS Penetrant Products, in accordance with the CNS Penetrant Development Plan, at Lilly's expense.

3.2 Development Plans.

(a) **Non-CNS Penetrant Development Plan.** The Development of all Non-CNS Penetrants and Non-CNS Penetrant Products shall be governed by the Non-CNS Penetrant Development Plan (including the R552 Development Plan). The Non-CNS Penetrant Development Plan shall include, on a Non-CNS Penetrant-by-Non-CNS Penetrant basis: (i) an outline of the Development activities to be conducted by the applicable Party with respect to Non-CNS Penetrants and Non-CNS Penetrant Products and the corresponding timeline, including any non-clinical studies and Clinical Trials to be conducted, any activities for the Development of assays or companion diagnostics or new Indications, formulations or uses, and any Manufacturing activities in support of such Development activities; (ii) a plan and timeline for preparing the necessary Regulatory Materials and for obtaining Marketing Approval for each Non-CNS Penetrant Product; (iii) a high level global Development strategy for Non-CNS Penetrant Products, including the contemplated Marketing Approval(s) for each Non-CNS Penetrant Product; and (iv) a rolling five (5)-year budget, broken down by Calendar Quarter, and by Product in the case of Non-CNS Penetrant Products undergoing Clinical Trials, for costs to be incurred in performing Development activities under the Non-CNS Penetrant Development Plan (including R552 Development Costs) that is estimated in good faith by the applicable Party and reflects such Party's internal budgeting projections, including estimated FTEs and Out-of-Pocket Expenses, and excluding the costs and expenses of preparing and filing Regulatory Materials and meeting or otherwise interacting with Regulatory Authorities in connection therewith, which shall be borne by Lilly (the "**Non-CNS Penetrant Development Budget**"). The aspects of the Non-CNS Penetrant Development Budget that are directed to R552 Development Costs to be incurred in obtaining Marketing Approval of the R552 Product by the FDA and the EMEA are referred to herein as the "**R552 Development Budget**", and shall be separately identified as such in the R552 Development Plan. Lilly shall be responsible for preparing potential amendments of the Non-CNS Penetrant Development Plan (including the R552 Development Plan), for review by the JDC and submission to the JSC for approval.

(b) **CNS Penetrant Development Plan.** The Development of all CNS Penetrants and CNS Penetrant Products shall be governed by the CNS Penetrant Development Plan. The CNS Penetrant Development Plan shall include, on a CNS Penetrant-by-CNS Penetrant basis: (i) an outline of the Development activities to be conducted by Rigel during the CNS Research Term with respect to CNS Penetrants up through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package, (ii) a high-level outline of the Development activities to be conducted by Lilly with respect to the Development of CNS Penetrants and CNS Penetrant Products following the earlier of Rxxx Acceptance and Lilly Rxxx Continuation, (iii) a high-level plan and timeline for preparing the necessary Regulatory Materials and for obtaining Marketing Approval for each CNS Penetrant Product, and (iv) a high level global Development strategy for CNS Penetrant Products, including the contemplated Marketing Approval(s) for each CNS Penetrant Product. Rigel shall be responsible for preparing potential amendments of the portion of the CNS Penetrant Development Plan covering activities through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package, for review and comment by the JDC and submission to the JSC for approval. Lilly shall be solely responsible for the conduct of and any activities in relation to the Development of CNS Penetrants and CNS Penetrant Products covering activities following the earlier of Rxxx Acceptance and Lilly Rxxx Continuation, and will provide updates to the JSC and/or JDC in respect of such Development activities in accordance with Article 2 (Governance).

(c) **Review and Amendments**. The JDC, with the assistance of the Finance Committee with respect to the Non-CNS Penetrant Development Budget and R552 Development Budget, shall review each Development Plan on a regular basis, and in no event less frequently than twice each Calendar Year. Either Party, through its representatives on the JDC, may propose amendments to, and comment upon, each Development Plan from time to time. In any event, an updated version of each Development Plan shall be provided to the JDC for review and feedback no later than December 1 and June 1 of each Calendar Year. Any amendment of the Non-CNS Penetrant Development Plan (including the R552 Development Plan) shall be subject to approval by the JSC. Any amendment of the CNS Penetrant Development Plan with respect to activities through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package (and, for clarity, not with respect to activities to be conducted following the earlier of Rxxx Acceptance and Lilly Rxxx Continuation) shall be subject to approval by the JSC, and any amendment of the CNS Penetrant Development Plan following the earlier of Rxxx Acceptance and Lilly Rxxx Continuation shall be at Lilly's discretion, subject to the remainder of this Section. Notwithstanding anything to the contrary in this Agreement, unless the Parties otherwise mutually agree in writing, no amendment to any Development Plan shall materially change the scope of a Party's Development activities outlined in the initial CNS Penetrant Development Plan or the initial Non-CNS Penetrant Development Plan, as the case may be, nor materially change the allocation of responsibilities between the Parties under any such Development Plan.

3.3 Non-CNS Penetrant Development Activities.

(a) **Rigel Activities**. Rigel shall use Commercially Reasonable Efforts to complete the Rigel-Only R552 Development Activities as set forth in **Exhibit 1.96 (Rigel-Only R552 Development Activities)** and otherwise perform the activities allocated to Rigel under the R552 Development Plan.

(b) **Lilly Activities**. Except for the Rigel-Only R552 Development Activities and other activities allocated to Rigel under the R552 Development Plan, Lilly shall lead operationally all Development of Non-CNS Penetrants and Non-CNS Penetrant Products in the Territory and until [*], use Commercially Reasonable Efforts to (i) Develop and obtain Marketing Approval for at least one (1) Non-CNS Penetrant Product in each Major Market and (ii) carry out the activities allocated to Lilly under the Non-CNS Penetrant Development Plan.

(c) **Conduct of Phase 2 Clinical Trials**. Specifically and without limiting the foregoing , Lilly shall use its Commercially Reasonable Efforts to Commence a Phase 2 Clinical Trial for R552 Product in [*] within [*] of the Effective Date, in accordance with the R552 Development Plan. The Parties each acknowledge and agree that the foregoing diligence obligations shall not require either Party to Commence or continue a Clinical Trial in the event that: (i) any representative of the FDA or another Regulatory Authority in the United States, Japan or the European Union indicates in writing that the IND application or any equivalent non-US filing for the applicable Compound or Product is either terminated, placed on inactive status, or is otherwise no longer in force and valid due to factors other than the action or inaction of the responsible Party, (ii) [*] that there is a material risk that the continuation of such clinical trial would pose adverse risks to the health or safety of the trial subjects, (iii) the FDA or another Regulatory Authority in the United States, Japan or the European Union orders the responsible Party to suspend or delay such Clinical Trial in accordance with 21 CFR § 312.42 or any similar industry standard, Applicable Laws or guidance of any Regulatory Authority in the United States, Japan or the European Union, (iv) any supply chain disruption or material shortage occurs that affects a raw material or other necessary resource required for the conduct of such Clinical Trial, or (v) with respect to [*] as the responsible Party, [*] fails to perform any of its obligations under the [*].

3.4 CNS Penetrant Development Activities.

(a) **CNS Penetrant Lead Identification**. During the CNS Research Term, Rigel, at its expense, shall use Commercially Reasonable Efforts to (i) conduct the activities allocated to Rigel under the CNS Penetrant Development Plan with respect to the Development of CNS Penetrants up through completion of [*] for Rxxx ("**CNS Penetrant Lead Identification**") and (ii) prepare a data package for Rxxx (the "**Rxxx Data Package**") that includes a summary of the results of [*] (as available), as further described in **Exhibit 3.4(b) (Rxxx Data Package)**. Prior to initiation by Rigel of the [*] under the CNS Penetrant Development Plan, the JSC shall select, following proposal by Rigel, a RIP1 Inhibitor that meets the CNS Penetrant Criteria for evaluation in such study, and, effective as of such selection by the JSC, such RIP1 Inhibitor shall be designated as Rxxx for purposes of this Agreement. In addition, if Lilly has resources available (such as animal models) that would facilitate evaluation of the Rxxx Data Package, then, at Lilly's sole discretion and cost, Lilly may employ such resources to perform additional pre-clinical studies with respect to any CNS Penetrants , including Rxxx. Any data or results generated by Lilly in such additional pre-clinical studies may be included in the Rxxx Data Package (if applicable), for the purposes of the evaluation described in Section 3.4(b) below.

(b) **Rxxx Acceptance**.

(i) Promptly following the earlier of completion of the first GLP toxicology study for Rxxx or the expiration of the CNS Research Term, Rigel shall, through the JSC, provide Lilly with the Rxxx Data Package.

(ii) Within [*] days after receipt of the Rxxx Data Package (such period, the "**Initial Rxxx Election Period**"), Lilly may elect to maintain its license to Exploit CNS Penetrants and CNS Penetrant Products, as set forth in Section7.1(a)(ii) (CNS Penetrants), by giving Rigel written notice thereof (through the JSC) (such election, the "**Rxxx Acceptance**", and such notice, the "**Rxxx Acceptance Notice**").

(iii) If Lilly does not provide an Rxxx Acceptance Notice within the Initial Rxxx Election Period, then Lilly may elect, by giving Rigel written notice thereof (through the JSC) prior to the earlier of expiration of the Initial Rxxx Election Period or expiration of the CNS Research Term (such notice, the " **Rxxx Continuation Notice**"), to (A) have Rigel, at Lilly's expense, continue to use Commercially Reasonable Efforts to perform CNS Penetrant Lead Identification, and the CNS Research Term shall be extended, for up to an additional [*] under a reasonable scope of work and budget negotiated by the Parties in good faith and set forth in writing ("**Rigel Rxxx Continuation**"), or (B) assume responsibility for performance of Rigel's responsibilities with respect to CNS Penetrant Lead Identification in accordance with the CNS Penetrant Development Plan (which may be amended in accordance with Section 3.2(c) (CNS Penetrant Development Plan)), at Lilly's expense, for up to an additional [*] ("**Lilly Rxxx Continuation**").

(iv) In the case of Rigel Rxxx Continuation or Lilly Rxxx Continuation, not later than [*] following delivery of the Rxxx Continuation Notice, Rigel (in the case of Rigel Rxxx Continuation) or Lilly (in the case of Lilly Rxxx Continuation) shall provide the other Party, through the JSC, with a data package containing the results generated in connection with such Rigel Rxxx Continuation or Lilly Rxxx Continuation, as the case may be (the "**Rxxx Continuation Data Package**"). Within [*] days after receipt of the Rxxx Continuation Data Package (such period, the "**Secondary Rxxx Election Period**"), Lilly may elect Rxxx Acceptance by giving Rigel an Rxxx Acceptance Notice. If, as of Rxxx Acceptance, Rxxx has not been designated pursuant to Section 3.4(a) (CNS Penetrant Lead Identification) or the JSC thereafter decides to designate an alternative RIP1 Inhibitor as Rxxx, then the JSC shall designate a RIP1 Inhibitor as Rxxx for purposes of this Agreement in connection with such Rxxx Acceptance.

(c) **Development Following Lilly Rxxx Continuation or Rxxx Acceptance**.

(i) Following a Lilly Rxxx Continuation, during the period beginning on such Lilly Rxxx Continuation until [*] thereafter, Lilly shall use Commercially Reasonable Efforts to conduct the activities allocated to Lilly under the CNS Penetrant Development Plan with respect to the Development of CNS Penetrants up through completion of the first GLP toxicology study for Rxxx.

(ii) Following Rxxx Acceptance, and until [*] months following the First Commercial Sale of any CNS Penetrant Product in the Territory, Lilly shall use Commercially Reasonable Efforts to Develop the CNS Penetrants and CNS Penetrant Products in the Territory and obtain Marketing Approval for at least one (1) CNS Penetrant Product in each Major Market and shall use Commercially Reasonable Efforts to carry out the activities under the CNS Penetrant Development Plan (including the global Development strategy set forth therein).

(d) **Non-Acceptance of Rxxx**. If Lilly does not provide an Rxxx Acceptance Notice within the Initial Rxxx Election Period or, in the case of Rigel Rxxx Continuation or Lilly Rxxx Continuation (as the case may be), the Secondary Rxxx Election Period ("**Rxxx Opt-Out**"), then (i) the license granted to Lilly in respect of the CNS Penetrants and CNS Penetrant Products in Section 7.1(a)(ii) shall automatically terminate and be of no further force or effect, (ii) notwithstanding anything to the contrary in this Agreement, all right, title and interest in and to all CNS Penetrants and CNS Penetrant Products shall revert to Rigel, (iii) this Agreement shall terminate with respect to the CNS Program pursuant to Section 13.6 (Termination of CNS Program for Rxxx Opt-Out), and (iv) for avoidance of doubt, the Field shall be modified as set forth in Section 13.8(c) (Field).

3.5 Information Sharing; Records.

(a) The status, progress and results of each Party's Development activities with respect to Compounds and Products shall be discussed in reasonable detail at meetings of the JDC and JSC, and each Party shall provide the JDC and JSC with a written report (which may be in the form of a powerpoint or similar presentation format) on the status and progress of its activities on a quarterly basis prior to each JDC and JSC meeting.

(b) Each Party shall report to the other Party the results of each Clinical Trial with respect to Compounds and Products, on a regular basis and as reasonably requested by the other Party. With regard to the results of each Clinical Trial of a Product, in each case conducted by or on behalf of a Party, such Party shall report such results to the other Party as part of the presentation delivered pursuant to Section 3.5(a) in anticipation of the next scheduled JDC or JSC meeting; provided that such obligation to report shall only trigger following the completion of Lilly's standard internal review procedures in respect of such interim or final (as applicable) analysis of the applicable Clinical Trial results.

(c) Each Party shall maintain, during the Term and for a duration thereafter in accordance with such Party's own internal records retention policy, and in compliance with such Party's obligations hereunder, complete and accurate records (paper or electronic), as generally and consistently applied throughout such Party's organization, of all work conducted by it under a Development Plan and all Information resulting from such work. Each Party shall provide the other Party copies of such records, to the extent reasonably requested by such other Party.

3.6 Development Standards of Conduct. Each Party shall, and shall cause its Affiliates and respective consultants and contractors to, carry out its Development activities under this Agreement in accordance with standards at least has high as those in the Development Plan, Eli Lilly and Company Good Research Practices, Eli Lilly and Company Animal Care and Use Requirement for Animal Researchers and Suppliers, and all Applicable Laws, including those regarding data privacy and data security laws and regulations, and in accordance with GLP, GRP, GCP, GMP as applicable, and, in each case, in a good scientific manner and as appropriate to the phase or stage of the relevant Development efforts. For purposes of this Agreement, "***Eli Lilly and Company Good Research Practices***" means the compiled set of shared research quality standards defining how Lilly's research laboratories conduct good science for non-regulated work as set forth in Exhibit 3.6 Part A. For purposes of this Agreement, "***Eli Lilly and Company Animal Care and Use Requirement for Animal Researchers and Suppliers***" means the guidelines relating to animal care and use for research done on behalf of Lilly as set forth in Exhibit 3.6 Part B.

3.7 Subcontractors. Each Party may perform any of the obligations assigned to it under a Development Plan through one or more subcontractors or consultants, provided that: (a) such Party remains responsible for the work allocated to, and the payment to, the subcontractors and consultants retained by it, (b) the subcontractor or consultant undertakes in writing obligations of confidentiality and non-use regarding Confidential Information and assignment of intellectual property rights, that are consistent with those undertaken by such Party under Article 9 (Intellectual Property) and Article 12 (Confidentiality), and (c) in the case of [*] the use of such subcontractor for the performance of such obligation(s). Notwithstanding the foregoing, to the extent any subcontractors are, [*], then such subcontractors may [*] in respect of [*], without requiring [*].

3.8 Expenses.

(a) **R552 Development Cost Sharing**.

(i) **Allocation**. Subject to Section 3.8(a)(iv) (Opt-Outs) and Section 3.8(g) (Rigel Costs), R552 Development Costs incurred by the Parties in performance of the R552 Development Plan shall be borne eighty percent (80%) by Lilly and twenty percent (20%) by Rigel (the "**R552 Cost Sharing**"), except that Rigel shall solely bear the costs for the conduct of Rigel-Only R552 Development Activities. In the event that Rigel's share of R552 Development Costs exceeds an aggregate of [*] (for clarity, inclusive of any Permitted Cost Overruns) (the "**Cap**"), then Lilly shall bear one hundred percent (100%) of the costs and expenses incurred in the conduct of Development activities under this Agreement with respect to R552 and R552 Product that are in excess of the Cap, and the reimbursement calculations set forth in Section 3.8(a)(iii) (Reimbursement of R552 Development Costs) shall be adjusted accordingly. For clarity, any costs or expenses incurred in preparing and filing Regulatory Materials for the R552 Product and meeting or otherwise interacting with Regulatory Authorities in connection therewith shall be borne solely by Lilly.

(ii) **R552 Development Cost Reports**. Subject to Section 3.8(g) (Rigel Costs), R552 Development Costs shall initially be borne by the Party incurring the cost or expense, subject to reimbursement as provided in Section 3.8(a)(iii) (Reimbursement of R552 Development Costs). Each Party shall calculate and maintain records of R552 Development Costs incurred by it and its Affiliates in accordance with procedures to be established by the Finance Committee, including the R552 Development Cost Reconciliation Procedures. Such procedures will provide the ability to comply with financial reporting requirements of each Party. Unless otherwise determined by the Finance Committee, the R552 Development Cost Reconciliation Procedures shall provide that, within [*] days after the end of each Calendar Quarter, each Party shall submit to the Finance Committee a report, in such reasonable detail and format as is established by the Parties, of all R552 Development Costs incurred by such Party during such Calendar Quarter. Unless otherwise determined by the Finance Committee, within [*] days following the receipt of such report, each Party shall have the right to request reasonable additional information related to the other Party's and its Affiliates' R552 Development Costs during such Calendar Quarter in order to confirm that such other Party's spending is in conformance with the R552 Development Budget.

(iii) **Reimbursement of R552 Development Costs**.

(1) Each Calendar Quarter, the Party (with its Affiliates) that incurs more than its share of the total actual R552 Development Costs during such Calendar Quarter shall be paid by the other Party an amount of cash sufficient to reconcile to the agreed percentage of actual R552 Development Costs as set forth in Section 3.8(a)(i) (Allocation). Notwithstanding the foregoing, on a Calendar Year-to-date basis, the Parties shall not share any R552 Development Costs in excess of the amounts allocated for such Calendar Year-to-date period in the R552 Development Budget; provided, however, that R552 Development Costs in excess of the R552 Development Budget shall be included in the calculation of R552 Development Costs to be shared by the Parties to the extent such excess R552 Development Costs do not exceed by more than [*] the total R552 Development Costs allocated to be incurred by such Party and its Affiliates in the applicable Calendar Year-to-date period in accordance with the applicable R552 Development Budget for such Calendar Year (a " **Permitted Cost Overrun**"). For clarity, and unless otherwise expressly and unanimously pre-approved by the JSC, any overage incurred by a Party in excess of such Permitted Cost Overrun shall be solely the responsibility of such Party.

(2) The R552 Development Cost Reconciliation Procedures shall provide for the Finance Committee to develop a written report setting forth in reasonable detail the calculation of any net amount owed by Lilly to Rigel or by Rigel to Lilly, as the case may be, as necessary to accomplish the sharing of R552 Development Costs set forth in Section 3.8(a)(i) (Allocation) and this Section 3.8(a)(iii) (Reimbursement of R552 Development Costs), and to prepare such report promptly following delivery of the report described in Section 3.8(a)(ii) (R552 Development Cost Reports) and in a reasonable time (to be defined in the R552 Development Cost Reconciliation Procedures) in advance of payment. The net amount payable to accomplish the sharing of R552 Development Costs as provided under this Agreement shall be paid by Lilly to Rigel or by Rigel to Lilly, as the case may be, within [*] days after the end of the applicable Calendar Quarter or such other period as determined **by the Finance Committee.**

(iv) **Opt-Outs.**

(1) **Stage 1**. Upon written notice provided by Rigel to Lilly at any time prior to [*] (such event, "**Stage 1**", such period the "**Stage 1 Opt-Out Period**" and such notice, a "**Stage 1 Opt-Out Notice**"), Rigel may terminate its obligation to share any R552 Development Costs incurred after the earlier of (i) the date when the Parties have collectively incurred Three Hundred and Twenty Five Million Dollars ($ 325,000,000) of shared R552 Development Costs and (ii) [*] (such earlier date, the "**Stage 1 Transition Date**"). If Rigel timely provides a Stage 1 Opt-Out Notice, then Rigel shall continue to share any R552 Development Costs incurred prior to [*], but only until Rigel's cumulative responsibility for R552 Development Costs is Sixty Five Million Dollars ($65,000,000), and thereafter, Lilly shall bear one hundred percent (100%) of the costs and expenses incurred in the conduct of Development activities under this Agreement with respect to R552 and R552 Product. In addition, if the Parties have collectively incurred Three Hundred and Twenty Five Million Dollars ($ 325,000,000) of R552 Development Costs prior to the expiration of the Stage 1 Opt-Out Period, then all R552 Development Costs that exceed such amount ("**Stage 1 Excess R552 Development Costs**") shall be borne by Lilly until the expiration of the Stage 1 Opt-Out Period and shared in accordance with Section 3.8(a)(i) (Allocation) following such expiration, unless Rigel provides a Stage 1 Opt-Out Notice, in which case Rigel shall have no obligation to share such Stage 1 Excess R552 Development Costs.

(2) **Stage 2**. Upon written notice provided by Rigel to Lilly at any time prior to [*] (such event, "**Stage 2**", such period the "**Stage 2 Opt-Out Period**" and such notice, a "**Stage 2 Opt-Out Notice**"), Rigel may terminate its obligation to share any R552 Development Costs incurred after the earlier of (i) the date when the Parties have incurred [*] of shared R552 Development Costs and (ii) [*]. If Rigel timely provides a Stage 2 Opt-Out Notice, then Rigel shall continue to share any R552 Development Costs incurred prior to [*], but only until Rigel's cumulative responsibility for R552 Development Costs is [*], and thereafter Lilly shall bear one hundred percent (100%) of the costs and expenses incurred in the conduct of Development activities under this Agreement with respect to R552 and R552 Product. In addition, if the Parties have collectively incurred [*] of R552 Development Costs prior to the expiration of the Stage 2 Opt-Out Period, then all R552 Development Costs that exceed such amount ("**Stage 2 Excess R552 Development Costs**") shall be borne by Lilly until the expiration of the Stage 2 Opt-Out Period and shared in accordance with Section 3.8(a)(i) following such expiration, unless Rigel provides a Stage 2 Opt-Out Notice, in which case Rigel shall have no obligation to share such Stage 2 Excess R552 Development Costs.

(3) **Material Changes to R552 Development Costs**. Notwithstanding the foregoing, in the event that the Parties, by and through a Committee hereunder, agree to commence Development for an additional Indication for R552 that results in a [*], or more, actual increase in aggregate, inflation-adjusted R552 Development Costs above those contemplated in the Initial R552 Development Plan prior to the addition of such commenced Indication, each of the royalty rates specified in Column A of Section 8.4(a) that would otherwise apply to Net Sales of the applicable Non-CNS Penetrant Product for such Indication shall be [*].

(b) **Cost Sharing Option for Lead Non-CNS Penetrant Products other than R552 . For** avoidance of doubt, the sharing of costs with respect to any replacement of R552 and R552 Product as the Lead Non-CNS Penetrant and Lead Non-CNS Penetrant Product following permanent discontinuation of Development of R552 shall be subject to the Development cost-sharing provisions set forth in Section 3.8(a) (R552 Development Cost Sharing) as if such replacement Lead Non-CNS Penetrant was named in place of R552 in all respects hereunder.

(c) **Cost Sharing Option for Non-CNS Penetrant Products other than the Lead Non-CNS Penetrant Product.** Subject to the Cost-Sharing Option granted to Rigel in this Section,Lilly shall bear one hundred percent (100%) of the costs and expenses incurred by it in connection with the Development of Non-CNS Penetrants and Non-CNS Penetrant Products other than the Lead Non-CNS Penetrant and Lead Non-CNS Penetrant Product (which, as of the Effective Date, areR552 and the R552 Product respectively). On a Product-by-Product basis for each Non-CNS Penetrant Product [*] other than the Lead Non-CNS Penetrant Product, at any time prior to [*], Rigel shall have the option to share the Development costs incurred by the Parties in performance of the Non-CNS Penetrant Development Plan with respect to the applicable Non-CNS Penetrant Product in the same proportions and subject to the same terms and conditions as applicable to the sharing of R552 Development Costs pursuant to Section 3.8(a) (R552 Development Cost Sharing), including with respect to the allocation of eighty percent (80%) to Lilly and twenty percent (20%) to Rigel, the Cap, reporting and reconciliation procedures, Permitted Cost Overruns opt-outs at Stage 1 and Stage 2 (the [*] for such Non-CNS Penetrant and Non-CNS Penetrant Product that [*] with respect to R552 and R552 Product would be negotiated at the time of Rigel's election to share such costs), oversight by the JDC pursuant to Section 2.3(b)(xii) (JDC Responsibilities), decision-making by the JSC pursuant to Section 2.4(c) (Decision-Making) and Section 2.4(d) (Final Decision-Making Considerations) and audit rights under Section 8.9 (Financial Records; Audits), in each case *mutatis mutandis* (the "**Cost Sharing Option**"). Rigel may exercise the Cost Sharing Option with respect to the applicable Non-CNS Penetrant Product by providing written notice to Lilly thereof not later than [*] (such notice, a "**Cost Sharing Option Exercise Notice**"). For the avoidance of doubt, following Lilly's receipt of any Cost Sharing Option Exercise Notice issued by Rigel, Rigel's cost-sharing obligations (as described in this Section) shall commence immediately and shall [*] in respect of the Development of such Non-CNS Penetrant and Non-CNS Penetrant Product. Where such a reimbursement is due, Lilly shall invoice Rigel for such amount within [*]. For the avoidance of doubt, the Cost-Sharing Option granted to Rigel in this Section shall only apply in respect of Non-CNS Penetrants and Non-CNS Penetrant Products [*], and shall not apply in respect of any Non-CNS Penetrants or Non-CNS Penetrant Products Developed [*].

(d) **Costs for CNS Penetrant Lead Identification**. Rigel shall bear one hundred percent (100%) of the costs and expenses incurred by it in connection with the conduct of CNS Penetrant Lead Identification under this Agreement, except, if applicable, in connection with Rigel Rxxx Continuation pursuant to Section 3.4(b) (Rxxx Acceptance).

(e) **Costs for other Compounds and Products**. Except as provided elsewhere in this Agreement, Lilly shall bear one hundred percent (100%) of the costs and expenses incurred by it in connection with the conduct of Development activities under this Agreement.

(f) **Reimbursements by Lilly other than for R552 Cost Sharing**. Other than with respect to R552 Cost Sharing, if Rigel, with Lilly's prior written consent, incurs any internal costs or Out-of-Pocket Expenses under a Development Plan with respect to the Development of Compounds or Products that are to be borne by Lilly, then Lilly shall promptly reimburse Rigel for all such internal costs (at the FTE Rate) and Out-of-Pocket Expenses quarterly in arears within [*] days following receipt of invoice from Rigel.

(g) **Rigel Costs**. Notwithstanding anything to contrary in this Agreement, Rigel shall be responsible for one hundred percent (100%) of the first [*] of R552 Development Costs, and such amount shall be included and otherwise subject to the Development cost-sharing arrangements and caps described in this Article 3 (Development) and in particular this Section 3.8 (Expenses).

ARTICLE 4

Regulatory Matters

4.1 Regulatory Transition. Within [*] days after the Effective Date, Rigel shall assign and transfer to Lilly all Regulatory Materials for R552 and R552 Product that are Controlled by Rigel as of the Effective Date, provided that Rigel shall defer assignment and transfer of any such Regulatory Materials that pertain to [*] until [*] days after [*]. Upon request by Lilly, Rigel shall deliver notices of any such assignment to the applicable Regulatory Authorities within [*] days after such request. Thereafter, except with respect to [*], Lilly shall be responsible for: (a) making all regulatory filings with respect to the Products, either itself or through its Affiliates or Sublicensees; (b) obtaining and maintaining Marketing Approvals for the Products throughout the Territory in the name of Lilly, or its Affiliates or Sublicensees; and (c) determining the label for the Products, including whether or not to accept changes proposed by any Regulatory Authority. In addition, upon reasonable request by Lilly, Rigel shall (i) at any time during the Term, deliver notices of any such assignment to the applicable Regulatory Authorities directly or via Lilly, to enable any IND, NDA or MAA for a Product to be accepted for review by the relevant Regulatory Authority; and (ii) provide Lilly with any advice regarding studies conducted by Rigel or on behalf of Rigel regarding a Product that is required to allow Lilly to respond to any Regulatory Authority that raises a question in relation to such studies during evaluation of any regulatory submission. Further, subject to the foregoing with respect to [*], Rigel shall provide to Lilly the following items to the extent Controlled by Rigel and requested by Lilly:

(a) original documents and electronic versions of Regulatory Materials as required by Lilly to support NDA and MAA filings with respect to Products, including all Information required by Lilly to generate the quality section of the NDA and the MAA; and

(b) all material non-clinical study reports and clinical study reports for any data in each case regarding the Products generated by Rigel directly or via any contract research organization, including electronic data sets of the source information.

Lilly shall reimburse Rigel for all reasonable internal costs (at the FTE Rate) and Out-of-Pocket Expenses incurred by Rigel in connection with the activities to be undertaken by Rigel as described in this Article 4 (Regulatory Matters), quarterly in arrears within thirty (30) days of an invoice from Rigel.

4.2 Regulatory Materials and Approvals.

(a) **Rights and Obligations.**

(i) Each Party shall keep the other Party informed, via participation on the JDC, of regulatory developments pertaining to Products throughout the Territory, without limitation by including in the reports provided to the JDC pursuant to Section 3.5(a) (Information Sharing; Records) (A) any material adverse regulatory developments with respect to the R552 Product (when subject to R552 Cost Sharing) or any other Non-CNS Penetrant Product (when subject to cost sharing following Rigel's exercise of the Cost Sharing Option), of which such Party becomes aware and (B) the planning and results of any meetings with or submissions to any Regulatory Authority with respect to such R552 Product or other Non-CNS Penetrant Product and upon request by the other Party, providing any materials for or minutes from such meetings, and any other submissions made to or communications with such Regulatory Authority with respect to such Compounds and Products, including protocols;

(ii) Lilly shall promptly provide to Rigel an electronic copy of (A) the complete NDA for each Product (and any updates thereto), (B) the complete European MAA for each Product (and any updates thereto) and (C) the equivalent sections of any other MAA for each Product (and any updates thereto); and

(iii) For the R552 Product when subject to R552 Cost Sharing (or any other Non-CNS Penetrant Product when subject to cost sharing following Rigel's exercise of the Cost Sharing Option), Lilly shall provide Rigel with reasonable advance notification of any significant in-person meeting or teleconference with the FDA and EMEA, and Rigel shall have the right to have its representatives attend and participate in such meetings and teleconferences between Lilly (or its Affiliates or Sublicensees) and the FDA and EMEA relevant to such Product, with the costs of such attendance and participation subject to R552 Cost Sharing.

4.3 Product Withdrawals and Recalls. In the event that: (a) any Regulatory Authority (i) threatens or initiates any action to remove any Product from the market in any country in the Territory or (ii) requires Lilly, its Affiliates, or its Sublicensees to distribute a "Dear Doctor" letter or its equivalent regarding use of such Product in the Field, or (b) Lilly resolves to voluntarily initiate an action to remove any Product from the market in any country in the Territory, then in each case of (a) or (b), Lilly shall notify Rigel in writing of such event within five (5) Business Days after Lilly becomes aware of the action, threat, or requirement or resolves to take such action (as applicable). Lilly shall, so far as practicable, consult with Rigel prior to initiating a recall or withdrawal of Product in any country or regulatory jurisdiction in the Territory; provided, however, that the final decision as to whether to recall or withdraw a Product shall be made by Lilly. Lilly shall be responsible, at its sole expense, for conducting any recalls or taking such other necessary remedial action in the Territory.

4.4 Adverse Event Reporting; Safety Data Exchange and Medical Inquiries. Representatives of each Party will begin meeting as soon as possible but no later than sixty (60) days after the Effective Date and will work in good faith together to develop safety procedures for safety data transfers, adverse event handling and reporting to Regulatory Authorities and sharing of emerging safety information from the clinical or pre-clinical work conducted by Rigel, in each case relating to the Products, including, upon request by either Party, negotiating and entering into an appropriate pharmacovigilance agreement upon reasonable and customary terms.

4.5 CNS Penetrant Products. Notwithstanding anything to the contrary in this Agreement, the rights and obligations of Lilly under this Article 4 (Regulatory Matters) with respect to CNS Penetrants and CNS Penetrant Products shall be contingent upon, and shall not take effect until, Rxxx Acceptance.

ARTICLE 5

Commercialization

5.1 Overview. Lilly shall be responsible for Commercializing the Products in the Field in the Territory and shall have the sole right to make decisions relating to such activities, with the oversight of the JSC ; provided however, that if each of the following applies: (a) Rigel has not provided a Stage 1 Opt-Out Notice or Stage 2 Opt-Out Notice, and has timely and in full contributed its share of R552 Development Costs under this Agreement, (b) [*] Rigel's Commercialization infrastructure, capabilities, experience and expertise in the United States are adequate for the purposes contemplated herein, and (c) the Parties have executed a Co-Commercialization Agreement as described in the penultimate sentence of this Section 5.1; then Rigel shall have the right to co-Commercialize Non-CNS Penetrant Products in the U.S. by providing up to [*] of the total Detail commitment for each such Product in the U.S., where such Details may be focused on specific Indications. If Rigel has not provided a Stage 1 Opt-Out Notice or Stage 2 Opt-Out Notice, Lilly shall promptly notify Rigel of the anticipated launch date of each Non-CNS Penetrant Product in the U.S. (no later than [*] months prior to such anticipated date) and Rigel may elect to conduct such co-Commercialization activities with respect to such Non-CNS Penetrant Product by providing written notice thereof no later than [*] months prior to such anticipated launch date, subject to Rigel achieving and maintaining each of the conditions set forth in the foregoing (a) through (c). Upon such election, the Parties shall negotiate in good faith and enter into a co-Commercialization agreement setting forth the terms and conditions of such co-Commercialization activities, including compensation to Rigel for the conduct of such co-Commercialization activities in accordance with market practice and taking the overall costs and efficiencies of such contemplated co-Commercialization activities into consideration (each a "**Co-Commercialization Agreement**"), at least [*] months prior to the anticipated launch date. Such cost and efficiency considerations will include each Party's sales infrastructure, disease state call points, and physical sales coverage by prescribing deciles.

5.2 Commercialization Plan. The strategy for the Commercialization of each Product in the Field in the Territory shall be described in a global plan that describes the pre-launch, launch and subsequent Commercialization activities for each such Product (each such plan, a "**Commercialization Plan**"). Each Commercialization Plan shall be drafted by Lilly and, if Rigel is co-Commercializing pursuant to Section 5.1 above, the portion of such Commercialization Plan as pertains to the co-Commercialization activities being undertaken by Rigel shall be shared with Rigel promptly following the date on which each of the following has occurred: (a) receipt of Rigel's co-Commercialization election pursuant to Section 5.1; and (b) execution of the Co-Commercialization Agreement contemplated by Section 5.1. Lilly shall consider any Rigel comments on such plan in good faith, provided that the final determination as to the content of the applicable Commercialization Plan shall be made by Lilly. Each Party shall each use Commercially Reasonable Efforts to conduct the activities allocated to it under the Commercialization Plan.

5.3 Commercialization Activities. Except for any activities allocated to Rigel under the applicable Co-Commercialization Agreement, and [*], Lilly shall use Commercially Reasonable Efforts to (a) complete the First Commercial Sale in each country or jurisdiction and for all Indications for which Marketing Approval has been obtained and (b) Commercialize each Product for all Indications for which Marketing Approval has been obtained.

5.4 Commercialization Standard of Conduct. Without limitation to any other obligations or standards imposed by a Co-Commercialization Agreement, each Party shall carry out the tasks allocated to it under each Commercialization Plan in compliance with all Applicable Laws, including the Foreign Corrupt Practices Act of 1977, as amended, any laws enacted to implement the Organisation of Economic Cooperation and Development Convention on Combating Bribery of Foreign Officials in International Business Transactions, and all other applicable anti-bribery and export control laws and all laws applicable to the sale and promotion of pharmaceutical products.

5.5 Commercialization Costs. Subject to the terms of the applicable Co-Commercialization Agreement, Lilly shall be solely responsible for all costs and expenses incurred in connection with the Commercialization of the Products in the Territory.

5.6 Sales and Distribution. Lilly shall be responsible for receiving and filling orders, controlling invoicing, collection of payments, returns, charge-backs and rebates on sales of the Products in the Field in the

Territory, and shall have sole control over distribution of the Product in the Field in the Territory. Rigel may not accept orders for the Products or make sales for its own account or for Lilly's account. If Rigel receives any order for the Products in the Field in the Territory, it shall refer such orders to Lilly for acceptance or rejection.

5.7 Commercialization Updates. In addition to the royalty reports contemplated by Section 8.4(h) (Royalty Payments and Reports) below, Lilly shall no less than twice annually provide the JSC with a high-level summary report (in a form as mutually agreed by the JSC) regarding the progress of all material Commercialization activities in those countries or jurisdictions in the Territory where the Parties are co-Commercializing a Product.

5.8 Pricing. Lilly shall be solely responsible for determining pricing and reimbursement strategy for the Products.

5.9 CNS Penetrant Products. Notwithstanding anything to the contrary in this Agreement, the rights and obligations of Lilly under this Article 5 (Commercialization) with respect to CNS Penetrants and CNS Penetrant Products shall be contingent upon, and shall not take effect until, Rxxx Acceptance.

5.10 JCC. If the JSC establishes a JCC, then the JSC may delegate any functions or responsibilities of the JSC under this Article 5 (Commercialization) to such JCC.

ARTICLE 6

Technology Transfer, Manufacture and Supply

6.1 Overview. Subject to Section 6.2 (Transfer of Technology and Manufacturing Responsibilities), Lilly, itself or through one or more Affiliates or Third Parties selected by Lilly, will be solely responsible for the Manufacture and supply of the Compounds and Products in bulk and finished form for use in Development and Commercialization under this Agreement, provided that Rigel shall be responsible for those Manufacturing activities allocated to Rigel under: (a) the R552 Development Plan, and (b) the CNS Penetrant Development Plan, as required for the CNS Program during the CNS Research Term through the delivery to Lilly of the Rxxx Data Package and, if applicable in the case of Rigel Rxxx Continuation, the Rxxx Continuation Data Package (which may, in case of (a), include any ongoing clinical supply activities contemplated under such plan with respect to the applicable Compounds or Products).

6.2 Transfer of Technology and Manufacturing Responsibilities.

(a) **Technology Transfer for Non-CNS Penetrants.** Rigel shall transfer to Lilly the Rigel Know-How existing as of the Effective Date that relates to the Development of R552 and other Non-CNS Penetrants, including such Rigel Know-How relating to any ongoing Clinical Trials but excluding manufacturing Information as referenced in the immediately following sentence, in accordance with the R552 Transition Plan mutually agreed upon by the Parties in writing within [*] months after the Effective Date. In addition, Rigel shall transfer to Lilly such Rigel Know-How as is reasonably required by Lilly to replicate the process employed by or on behalf of Rigel to Manufacture the R552 Product, at such time as mutually agreed upon by Parties to enable Lilly to Manufacture (or have Manufactured) R552 Clinical Trial Material for the first Phase 3 Clinical Trial of the R552 Product.

(b) **Technology Transfer for CNS Penetrants.** Promptly after Rxxx Acceptance, Rigel shall transfer to Lilly the then-existing Rigel Know-How that relates to Rxxx, including such Rigel Know-How that is reasonably necessary for Lilly to replicate the process then employed by or on behalf of Rigel to manufacture Rxxx. Such initial technology transfer shall be carried out in accordance with the Rxxx Transition Plan, which shall be mutually agreed upon by the Parties in writing following Rxxx Acceptance.

(c) **Right to Manufacture Compounds and Products.** Lilly, itself or through one or more Affiliates or Third Parties selected by Lilly, shall have the sole and exclusive right to Manufacture or have Manufactured, and to supply and have supplied, all Compounds and Products in bulk and finished form for use in

Development and Commercialization under this Agreement, except that Rigel shall perform certain Manufacturing activities with respect to: (i) the supply of its stock of R552 existing as of the Execution Date for use under the R552 Development Plan and (ii) Rxxx for purposes of the CNS Program during the CNS Research Term, as set forth in the CNS Penetrant Development Plan. The R552 Development Costs incurred in connection with such Manufacturing activities performed by either Party, along with Rigel's costs for its existing stock of R552, which costs shall be included as R552 Development Costs, shall be shared by the Parties pursuant to Section 3.8(a) (R552 Development Cost Sharing). The cost for manufacture of R552 Clinical Trial Material shall be based upon Rigel's Out-Of-Pocket Expenses incurred in performance of such manufacturing and the costs for personnel directly engaged in such manufacturing efforts, determined based on the applicable FTE Rate based on time actually spent performing the applicable manufacturing activity, unless another basis is otherwise agreed by the Parties in writing.

(d) **Assignment of Rights.** The transfer of Manufacturing activities by Rigel to Lilly as contemplated in this Section 6.2 (Transfer of Technology and Manufacturing Responsibilities) shall not require Rigel to assign its rights and/or interest in and to any of Rigel's agreements with a Third Party (unless otherwise agreed by the Parties) or of the Rigel Patents and/or Rigel Know-How.

(e) **Costs.** Except as otherwise expressly provided in this Section 6.2 (Transfer of Technology and Manufacturing Responsibilities), each Party shall bear its costs incurred in connection with the activities, work, technology transfer and assignments described in this Section 6.2 (Transfer of Technology and Manufacturing Responsibilities).

ARTICLE 7

Licenses And Exclusivity

7.1 Grants.

(a) **License Grant to Lilly.**

(i) **Non-CNS Penetrants**. Subject to the terms and conditions of this Agreement (including Rigel's retained rights under Section 7.3 (Rigel Retained Rights) below), Rigel hereby grants Lilly a royalty-bearing, sublicensable (solely in accordance with Section 7.2(a) (Scope of Permissible Sublicensing)), exclusive license, under Rigel's and its Affiliate's rights, titles, and interests in and to the Rigel Technology, to Exploit Non-CNS Penetrants and Non-CNS Penetrant Products in the Field in the Territory.

(ii) **CNS Penetrants**. Subject to the terms and conditions of this Agreement (including Rigel's retained rights under Section 7.3 (Rigel Retained Rights) below), Rigel hereby grants Lilly a royalty-bearing, sublicensable (solely in accordance with Section 7.2(a) (Scope of Permissible Sublicensing)), exclusive license, under Rigel's and its Affiliate's rights, titles, and interests in and to the Rigel Technology, to Exploit CNS Penetrants and CNS Penetrant Products in the Field in the Territory; provided, however, that the foregoing license shall automatically terminate, without any further action required by either Party, following an Rxxx Opt-Out by Lilly.

(b) **License Grant to Rigel.** Subject to the terms and conditions of this Agreement, Lilly hereby grants Rigel a non-exclusive license, under Lilly's and its Affiliate's rights, titles, and interests in and to the Lilly Technology to perform or have performed activities allocated to Rigel under the Development Plans, the Commercialization Plans and the Co-Commercialization Agreement(s) , in each case, solely to the extent such document expressly provides for the use of such Lilly Technology in the performance of such activity, and solely in respect of such specified Lilly Technology.

(c) **Access to Safety Information.** Each Party hereby grants to the other Party access to and a right to use and disclose any Information Controlled by such Party to the extent pertaining to the safety of any Compounds and Products, solely as required pursuant to the request or notification of any Regulatory Authority or as otherwise required pursuant to Applicable Laws.

7.2 Sublicenses and Distributorships.

(a) **Scope of Permissible Sublicensing.** The license granted by Rigel to Lilly in Section7.1(a) (License Grant to Lilly) may be sublicensed by Lilly through multiple tiers of sublicenses: (i) to its Affiliates in the Territory or in any country of the Territory without Rigel's prior written consent; (ii) to a Third Party that [*] with respect to any [*], only with Rigel's prior written consent, (iii) to a Third Party [*] other than a sublicense within clause (ii); provided that, if such sublicense [*] and [*], such sublicense shall require the prior written consent of Rigel; and (iv) to a Third Party [*], other than a sublicense within clause (ii), without the prior written consent of Rigel. Lilly shall remain ultimately responsible for the performance of its Sublicensees and shall require its Sublicensees to comply with the terms and conditions of this Agreement. As used herein, "**Sublicensee**" means any Third Party to which Lilly has granted a right or license to Exploit Compounds or Products other than a Distributor.

(b) **Distributorships.** Lilly shall have the right, in its sole discretion, to appoint its Affiliates, and Lilly and its Affiliates shall have the right, in their sole discretion, to appoint any other Persons, in the Territory or in any country of the Territory, to distribute, market and sell the Products, provided that Lilly shall remain ultimately responsible for the performance of such Distributors. As used herein, "**Distributor**" shall mean any such Person that is not an Affiliate of Lilly.

7.3 Rigel Retained Rights. Rigel retains (a) the right to practice and license the Rigel Technology outside the scope of the license granted to Lilly under Section 7.1(a) (License Grants to Lilly), (b) to use Compounds solely for the purpose of its internal research or to perform or have performed those activities allocated to Rigel pursuant to the R552 Development Plan or CNS Penetrant Development Plan, the Commercialization Plan and any Co-Commercialization Agreement (as applicable), and (c) all right, title and interest in and to all Excluded Technology, except to the extent agreed in writing by Rigel to be Developed by Rigel for use with R552 or R552 Product and expressly set forth in the R552 Development Plan. As used herein, "**Excluded Technology**" means any Rigel Technology pertaining to diagnostics or any active pharmaceutical ingredient other than a Compound.

7.4 No Implied Licenses. Except as explicitly set forth in this Agreement, neither Party grants to the other Party any license, express or implied, under its intellectual property rights.

7.5 Exclusivity.

(a) **Restrictions**. Subject to Section 7.3 (Rigel Retained Rights), beginning on the Effective Date and continuing for the Royalty Term, [*] agrees for itself and its Affiliates not to: (i) Develop, Manufacture or Commercialize any [*] anywhere in the Territory for an Indication within the Field other than Compounds and Products solely in accordance with the terms of this Agreement (any such [*], a "**Competing Product**"), (ii) Develop, Manufacture or Commercialize any Compound or Product anywhere in the Territory for use in an Indication outside of the Field, or (iii) authorize or assist any Third Party to do any of the foregoing activities described in clause (i) or (ii).

(b) **Acquisition or Change of Control.**

(i) Notwithstanding anything to the contrary in this Agreement, if, during the Term, (1) [*] or any of its Affiliates acquires rights to [*] through an Acquisition, such Acquisition, and the development and commercialization of such [*] thereafter, shall not constitute a breach of Section 7.5(a) (Restrictions) if [*] or such Affiliate, as applicable, (A) divests or out-licenses on an exclusive basis such [*] to a Third Party (without retaining material rights to such [*] other than : (x) in circumstances where [*], the right to [*] and a right to [*], or (y) in circumstances where [*], the right to [*], and a right to [*]), or ceases any activities in violation of Section 7.5(a)

(Restrictions) with respect to such [*] within [*] months of closing of the Acquisition and (B) prior to such divestiture, out-license or cessation, institutes appropriate firewalls and other customary security measures to completely segregate all activities in respect of such [*] from the activities contemplated under this Agreement; or (2) [*] undergoes a Change of Control, then the provisions of Section 7.5(a) (Restrictions) shall not apply to any activities conducted by or on behalf of a member of a Change of Control Group with respect to programs existing as of the date of such Change of Control or initiated thereafter, provided that such programs are segregated from activities under this Agreement.

(ii) Following a Change of Control of [*], [*] may elect within thirty (30) days after such Change of Control, whether the [*] Scenario (in subsection (iii) below) or the [*] Scenario (in subsection (iv) below) shall apply following such Change of Control, in each case only if such a member of such Change of Control Group is engaged in the Development, Manufacture or Commercialization of a Competing Product that would be restricted by the provisions of Section 7.5(a) (Restrictions) as of the closing of the Change of Control transaction in the absence of the provisions set forth in Section7.5(b)(i).

(iii) The "[*] **Scenario**" means that [*]. Additionally, under the [*] Scenario, the following shall apply:

(1) within [*] days, [*] shall [*], to the extent [*] that [*], which in each case, is [*], and upon [*] reasonable request and expense, [*] will: (A) [*]; and (B) [*], including [*]. The [*] to be undertaken under the foregoing shall be overseen by a Committee established for such purposes, which Committee shall [*];

(2) [*], and [*] pursuant to this Agreement, shall [*];

(3) with the exception of the [*], which shall continue as normal, all other [*]shall instead be [*] with respect to [*], in all cases, [*];

(4) [*] under this Agreement [*];

(5) subject to [*], [*]; and

(6) With respect to [*], [*] as outlined in [*].

(7) [*] shall thereafter have no right to (A) [*] with respect to, [*]; (B) [*]; or (C) [*]; provided, that, for clarity, each Party shall continue to have the right to [*].

(iv) The "[*] **Scenario**" means that [*], and this Agreement shall [*] prior to the Change of Control, and in which case: (1) except as described herein, Lilly and Rigel will maintain their respective rights under this Agreement; (2) Rigel and Lilly shall continue to comply with their respective diligence obligations hereunder, with the same criteria for evaluation of diligence applied to such activities after the consummation of such Change of Control as compared to prior to the consummation of such Change of Control; (3) [*]shall in each case cease as of the date [*], and thereafter be of no further force and effect; (4) [*]shall no longer be obligated to [*], and instead, [*], and [*] pursuant to this Agreement; and (5) [*] shall continue to apply [*], subject to [*].

(c) [*]. As of the Execution Date, Rigel has not granted any Third Party any right, title or interest in or to [*]. Rigel shall not grant any Third Party any right, title or interest in or to [*] in the period between the Execution Date and Effective Date. Beginning on the Effective Date and ending [*], Rigel will (i) notify Lilly of [*] and (ii) provide Lilly with a summary of material data pertaining to R289 as available promptly following (A) Lilly's written request or (B) [*]. During such period, Rigel will also notify Lilly [*] and, at Lilly's request within [*] days thereof, Rigel will provide Lilly a summary of material data pertaining to [*] to the extent then-available to Rigel. At Lilly's request, the Parties will discuss as mutually agreed the possibility of a licensing agreement with respect to [*].

ARTICLE 8

Financial Terms

8.1 Upfront Payment. In consideration of the rights and licenses granted under this Agreement, no later than [*] days after the Effective Date, Lilly shall pay to Rigel a non-refundable, non-creditable upfront payment of one hundred twenty-five million dollars ($125,000,000) in cash by wire transfer of immediately available funds into an account designated by Rigel, provided however, that Lilly shall not be required to disburse funds to a jurisdiction other than Rigel's jurisdiction of incorporation or Rigel's jurisdiction of principal business activity.

8.2 Development and Regulatory Milestone Payments. Lilly shall make milestone payments to Rigel based on achievement of certain development and regulatory milestone events as set forth in this Section 8.2 (Development and Regulatory Milestone Payments). Lilly shall notify and pay to Rigel the amounts set forth in this Section 8.2 (Development and Regulatory Milestone Payments) within [*] days after the achievement of the applicable milestone event. Each such payment shall be non-refundable and non-creditable against any other payment due under this Agreement.

(a) **Non-CNS Penetrant Products.** Lilly shall make each of the following milestone payments to Rigel for each Non-CNS Penetrant Product to achieve the corresponding milestone event for the applicable Indication for which such milestone event has been met.

Milestone Event	***Milestone Payment***
[*]	
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	

[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]

(b) **CNS Penetrant Products.** Lilly shall make each of the following milestone payments to Rigel for each CNS Penetrant Product to achieve the corresponding milestone event for the applicable Indication for which such milestone event has been met.

Milestone Event	***Milestone Payment***
[*]	
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]
[*]	$[*]

(c) **Skipped Milestones; Additional Milestone Details.** With respect to a given Product for a given Indication, the milestone events set forth in this Section 8.2 (Development and Regulatory Milestone Payments) based upon a Clinical Trial (each, a "**Clinical Milestone Event**") are intended to be successive in the order in which they are listed. If a given Product for a given Indication is not required to undergo the event associated with any such Clinical Milestone Event, then such skipped Clinical Milestone Event will be deemed to have been achieved upon the achievement by such Product for such Indication of the next successive Clinical Milestone Event, as applicable and the corresponding milestone payment for such skipped Clinical Milestone Event shall become due. In addition, with respect to a given Product for a given Indication, the milestone events set forth in this Section 8.2 (Development and Regulatory Milestone Payments) based upon First Commercial Sale or Marketing Approval (each, a "**FCS/MA Milestone Event**") are intended to be successive in relation any Clinical Milestone Event. If a given Product for a given Indication is not required to undergo the event associated with any such Clinical Milestone Event, then such skipped Clinical Milestone Event (if not previously deemed to have been achieved and paid pursuant to the second sentence and last sentence of this Section 8.2(c) (Skipped Milestones)) will be deemed to have been achieved upon the achievement by such Product for such Indication of any FCS/MA Milestone Event, as applicable and the corresponding milestone payment for such skipped Clinical Milestone Event shall become due. Payment for any such skipped Clinical Milestone Event that becomes due in accordance with this Section 8.2(c) (Skipped Milestones) with respect to a given Product for a given Indication shall be made concurrently with the payment for achievement of such successive milestone event by such Product for such Indication. For clarity, first and second Indications are intended to signify the first and second achievement of the Clinical Milestone Event or FCS/MA Milestone Event with respect to distinct Indications and the Indication that triggers payment within each Indication category (i.e., "First Indication", "Second Indication" and "Third Indication") may, but need not, be the same Indication. For example, if a Phase 3 Clinical Trial is first conducted with respect to rheumatoid arthritis (on which a milestone payment would be owed under the First Indication category), and then Marketing Approval and First Commercial Sale first occurs with respect to psoriasis, then the milestone for First Commercial Sale within the "First Indication" category would apply to such First Commercial Sale with respect to psoriasis. If Marketing Approval is subsequently and consecutively achieved for rheumatoid arthritis after Marketing Approval for psoriasis, then the milestone for Marketing Approval within the "Second Indication" category would apply to such Marketing Approval for rheumatoid arthritis.

8.3 Commercial Milestone Payments.

(a) **Non-CNS Penetrant Products.** Lilly shall make each of the milestone payments indicated below to Rigel, on a Non-CNS Penetrant Product-by-Non-CNS Penetrant Product basis, when aggregate, cumulative Net Sales of the applicable Non-CNS Penetrant Product across all Indications in the Territory first reach the specified dollar values in any Calendar Year. Each such milestone payment shall be non-refundable and non-creditable against any other payment due under this Agreement.

Aggregate Net Sales in the Territory for a Non-CNS Penetrant Product in a Calendar Year	***Milestone Payment***
$[*]	$[*]
$[*]	$[*]

(b) **CNS Penetrant Products.** Lilly shall make each of the milestone payments indicated below to Rigel, on a CNS Penetrant Product-by-CNS Penetrant Product basis, when aggregate, cumulative Net Sales of the applicable CNS Penetrant Product across all Indications in the Territory first reach the specified dollar values in any Calendar Year. Each such milestone payment shall be non-refundable and non-creditable against any other payment due under this Agreement.

Aggregate Net Sales in the Territory for a CNS Penetrant Product in a Calendar Year	***Milestone Payment***
$[*]	$[*]

$[*]	$[*]

(c) **Payment Procedure.** Lilly shall notify and pay to Rigel the amounts set forth in this Section8.3 (Commercial Milestone Payments) within [*] days after the end of the Calendar Quarter in which the applicable milestone event is achieved. If more than one milestone event set forth in this Section 8.3 (Commercial Milestone Payments) is achieved for the first time during the same Calendar Year, with respect to the same Product or with respect to different Products, then Lilly shall remain obligated to make payments to Rigel for each milestone payment triggered by the occurrence of each and every such milestone event. Each such payment shall be non-refundable and non-creditable against any other payment due under this Agreement.

8.4 Royalty Payments.

(a) **Non-CNS Penetrant Products**. On a Non-CNS Penetrant Product-by-Non-CNS Penetrant Product basis, during the Royalty Term, Lilly shall pay to Rigel non-refundable, non-creditable royalties on Net Sales of each Non-CNS Penetrant Product in the Territory as calculated by multiplying the applicable amount of incremental Net Sales of such Non-CNS Penetrant Product in the Territory in the applicable Calendar Year by the applicable royalty rate set forth: (i) in the case of the R552 Product or any other Non-CNS Penetrant Product for which Rigel has exercised its Cost Sharing Option, (A) in column A of the following table if Rigel has not provided a Stage 1 Opt-Out Notice or Stage 2 Opt-Out Notice; (B) in column B of the following table if Rigel has provided a Stage 1 Opt-Out Notice; or (C) in column C of the following table if Rigel has provided a Stage 2 Opt-Out Notice or (ii) in the case of any Non-CNS Penetrant Product other the R552 Product for which Rigel has not exercised its Cost Sharing Option, in column B of the following table:

	Royalty Rate		
Annual Net Sales for a Non-CNS Penetrant Product in the Territory	***A: No Opt-Out***	***B: Stage 1 Opt-Out***	***C: Stage 2 Opt-Out***
Portion less than $[*]	[*]%	[*]%	[*]%
Portion greater than or equal to $[*]and less than $[*]	[*]%	[*]%	[*]%
Portion greater than or equal to $[*] and less than $[*]	[*]%	[*]%	[*]%
Portion greater than or equal to $[*] and less than $[*]	[*]%	[*]%	[*]%
Portion greater than or equal to $[*]	[*]%	[*]%	[*]%

(b) **CNS Penetrant Products.** On a CNS Penetrant Product-by-CNS Penetrant Product basis, during the Royalty Term, Lilly shall pay to Rigel non-refundable, non-creditable royalties on Net Sales of each CNS Penetrant Product in the Territory as calculated by multiplying the applicable amount of incremental Net Sales of such CNS Penetrant Product in the Territory in the applicable Calendar Year by the applicable royalty rate set forth in the following table:

Annual Net Sales for a CNS Penetrant Product in the Territory	*Royalty Rate*
Portion less than $[*]	[*]%
Portion greater than or equal to $[*] and less than $[*]	[*]%
Portion greater than or equal to $[*] and less than $[*]	[*]%
Portion greater than or equal to $[*] and less than $[*]	[*]%
Portion greater than or equal to $[*]	[*]%

(c) **Generic Competition.** In the event of Generic Competition having first occurred in any country, Lilly shall thereafter owe royalties under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, on the Net Sales of such Product in such country at rates that are [*] less than the rates otherwise payable under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, for the remainder of the Royalty Term. In the event that, following Generic Competition in such country, a second Generic Equivalent is launched by a Third Party in such country, the foregoing reduction of [*] of the rates otherwise payable under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, shall increase to [*], in respect of such country.

(d) **Third Party Payments**. In the event that Lilly reasonably determines that rights to one or more Patents in any country owned by a Third Party that Cover the composition of matter of a Compound contained in a Product are necessary or useful in order to avoid infringement of such Patent(s) in connection with the Manufacturing or Commercialization of such Product in such country under this Agreement, Lilly shall have the right to negotiate and acquire such rights through a license or otherwise and to deduct from the royalty payments due to Rigel under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, on the Net Sales of such Product in such country an amount equal to [*] of the payments due by Lilly to such Third Party for such rights; provided, however, that in no event shall such royalty payments due to Rigel be reduced by more than [*] in any Calendar Quarter by reason of this Section 8.4(d) (Third Party Payments); and provided, further, that Lilly shall be entitled to carry forward to subsequent Calendar Quarters any amounts with respect to which Lilly would have been entitled to make a deduction pursuant to this Section 8.4(d) (Third Party Payments) but is unable to take such deduction pursuant to the first proviso in this Section 8.4(d) (Third Party Payments).

(e) **Maximum Amount of Royalty Reduction.** In no event shall the royalty payable to Rigel under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, with respect to a given Product in a given country be reduced by more than [*] in aggregate in any Calendar Quarter as a result of the reductions set forth in [*].

(f) **No Valid Claim.** From and after the first Calendar Quarter during the Royalty Term for a Product for which there is no longer a Valid Claim of a Rigel Patent that Covers either (i) the composition of matter of such Product , or (ii) a method of use of such Product within the approved label for such Product (such that there are no such methods of use within the approved label not covered by such a Valid Claim), in a given country, the royalty rates provided in Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, for such Product in such country will be reduced in such country by [*] for such Calendar Quarter and each subsequent Calendar Quarter during the Royalty Term [*].

(g) **Royalty Term.** Royalties due under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, with respect to each particular Product in a particular country, will commence upon the First Commercial Sale of such Product in such country and will be payable until the latest of: (i) the expiration of the last to expire Valid Claim of any [*] Patent (or a [*] Patent, but only if [*] with respect to such Product in accordance with [*]) in such country that Covers [*] such Product, (ii) the expiration of all Valid Claims of any [*] Patent (or a [*] Patent, but only if [*] with respect to such Product in accordance with [*]) in such country that Covers [*] such Product in such country, such that, [*], (iii) expiration of all regulatory exclusivity periods, including data exclusivity, with respect to such Product in such country and (iv) twelve (12) years after First Commercial Sale of such Product in such country (such period, the "**Royalty Term**"). Following the Royalty Term with respect to a particular Product and country, the licenses to Lilly set forth in Section 7.1(a) (License Grants to Lilly) shall continue in effect but shall become perpetual, fully paid-up and royalty-free with respect to such Product and such country.

(h) **Royalty Payments and Reports.** All royalties payable to Rigel pursuant to this Section 8.4 (Royalty Payments) shall be paid within [*] days after the end of each Calendar Quarter. Each payment of royalties shall be accompanied by a royalty report providing a statement, on a Product-by-Product basis, of the sales volume of the applicable Product in the Territory during the applicable Calendar Quarter, Net Sales of the applicable Product in the Territory during the applicable Calendar Quarter, a calculation of any applicable currency conversions in reasonable detail, and a calculation of the amount of royalty payment due on such sales for such Calendar Quarter.

8.5 Taxes.

(a) **Withholdings**. The royalties, milestone payments and other amounts payable by a Party (the '**Payor**") to the other Party (the "**Payee**") pursuant to this Agreement ("**Payments**") shall not be reduced on account of any taxes unless required by Applicable Laws. The Payor shall deduct and withhold from such payments any taxes that it is required by Applicable Laws to deduct or withhold on the Payee's behalf. Notwithstanding the foregoing, if the Payee is entitled under any applicable tax treaty to a refund, a reduction of rate, or the elimination of applicable withholding tax, it may deliver to the Payor or the appropriate Governmental Authority with the assistance of the Payor, to the extent that this is reasonably required, the prescribed forms necessary to obtain such refund or to reduce the applicable rate of withholding or to relieve the Payor of its obligation to withhold tax, and the Payor shall apply the reduced rate of withholding, or dispense with withholding, as the case may be provided that the Payor has received evidence, in a form reasonably satisfactory to the Payor, of the Payee's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least [*] days prior to the time that such payments are due. The Parties shall cooperate in accordance with Applicable Laws to minimize withholding taxes. If, in accordance with the foregoing, the Payor withholds any amount, it shall pay to the Payee the balance when due, make timely payment to the proper taxing authority of the withheld amount on the Payee's behalf, and send to the Payee proof of such payment within [*] days following that payment.

(b) Notwithstanding Section 8.5(a), the Parties acknowledge and agree that if Lilly (or its Affiliates or successors) is required to make a payment to Rigel subject to a deduction or withholding of tax, and if such deduction or withholding of tax arises or is increased solely as a result any action taken by Lilly or its Affiliates or successor or assignee, including without limitation the assignment or transfer of all or a portion of this Agreement by the Payor pursuant to Section 15.6 (Assignment) or otherwise, or there is a change, whether by corporate continuance, merger or other means, in the tax residency of Lilly, or payments arise or are deemed to arise through a branch of the Payor (each a "**Withholding Tax Action** "), then notwithstanding anything to the contrary herein, the payment by Lilly (in respect of which such deduction and withholding of tax is required to be made) shall be increased by the amount necessary to ensure that Rigel receives an amount equal to the same amount that it would have received had no Withholding Tax Action occurred.

8.6 Payment. All payments under this Agreement shall be made in Dollars by wire transfer of immediately available funds to the bank account as may be designated in writing by the Payee to the Payor from time to time, provided however, the Payor shall only be required to disburse funds to the Payee's jurisdiction of incorporation or the Payee's jurisdiction of principal business activity.

8.7 Foreign Exchange. For the purpose of computing the Net Sales of Products sold in a currency other than Dollars, Lilly's then-current standard exchange rate methodology using rates of exchange reported by a widely recognized exchange service, consistently applied to prepare its audited, publicly reported financial statements, will be employed for the translation of foreign currency sales into Dollars.

8.8 Late Payments. If a Party does not receive payment of any sum due to it under this Agreement on or before the due date, simple interest shall thereafter accrue on the sum due from the due date until the date of payment at a rate of [*] over the then-current 30-day LIBOR rate, or the maximum rate allowable by Applicable Laws, whichever is less. From and after the Execution Date, in the event that LIBOR ceases to be considered the prevailing market convention for determining a rate of interest for U.S. dollar-denominated syndicated credit facilities, then the Parties will meet in good faith and agree on the appropriate Benchmark Rate replacement for LIBOR (with such agreed replacement to be appropriately documented in writing). In the event that the Parties agree upon a Benchmark Rate replacement for LIBOR, such rate shall apply retroactively to such time as the LIBOR rate was no longer available. For the purposes of this section, "Benchmark Rate" shall mean any evolving or then-prevailing internationally recognized market convention for determining a rate of interest that replaces LIBOR.

8.9 Financial Records; Audits. Each Party shall maintain complete and accurate records in sufficient detail to permit the other Party to confirm the basis and accuracy of royalty payments, commercial milestone payments and reimbursement of costs, including R552 Development Costs, made under this Agreement, as applicable. Such records shall be kept for such period of time required by Applicable Laws, but no less than [*] years following the end of the Calendar Quarter to which they pertain. Upon reasonable prior written notice not more than [*], each Party (the "**Requesting Party**") may request to have a "Big 4" accounting firm (*i.e.,* KPMG, PwC, Deloitte or Ernst & Young) reasonably acceptable to the other Party (the "**Audited Party**") to inspect such Audited Party's records for the sole purpose of verifying the accuracy of payments made hereunder for a period covering not more than [*] years following the Calendar Quarter to which they pertain. No period may be audited more than once. Such audit rights may be performed during the regular business hours of the Audited Party. The Audited Party may require the accounting firm to sign a customary confidentiality agreement before providing the accounting firm with access to its facilities or records, and any such accounting form shall keep confidential any information obtained during such inspection and shall report to each Party only the amounts of Net Sales and payments due and payable during the applicable period hereunder (including, for clarity, any payments made pursuant to either Party's R552 Cost Sharing obligations hereunder). Upon completion of the audit, the accounting firm shall simultaneously provide both Parties with its written report, and such report will be the Confidential Information of the Audited Party. No other information shall be provided to the Requesting Party. If the audit determines that an underpayment or overpayment has been made, then the Party owing the underpaid or overpaid amount shall promptly (and in any event within [*] days after delivery of such report) pay such amount to the other Party. The Requesting Party shall bear the full cost of the audit unless the audit discloses an underpayment to the Requesting Party that is both: (a) at least [*] or more of the amount that was owed by the Audited Party with respect to the relevant period, and (b) at least [*], in which case, the Audited Party shall bear the full cost of such audit.

ARTICLE 9

Intellectual Property

9.1 Ownership of Inventions. Each Party shall own all inventions and Information made solely by it and its Affiliates and their respective employees, agents or independent contractors in the course of Exploitation of Compounds and Products under this Agreement (collectively, "**Sole Inventions**"). All inventions and Information that are made jointly by employees, agents or independent contractors of each Party (or its Affiliates) in the course of Exploitation of Compounds and Products under this Agreement (collectively, "**Joint Inventions**") shall be owned jointly by the Parties in accordance with joint ownership interests of co-inventors under U.S. patent laws. Inventorship shall be determined in accordance with U.S. patent laws. Subject to the licenses and rights expressly granted under this Agreement, each Party is entitled to Exploit the Joint Inventions for all purposes on a worldwide basis, without consent of and without a duty of accounting to the other Party. Each Party shall grant, and hereby does grant, all permissions, consents and waivers with respect to, and licenses under, such Party's interest in the Joint Inventions, throughout the world, necessary to provide the other Party with such rights of Exploitation of the Joint Inventions, and shall execute documents as necessary to effectuate the intent of the foregoing.

9.2 Disclosure of Inventions. Each Party shall promptly disclose to the other Party in writing all Sole Inventions and Joint Inventions that pertain to Compounds or Products, including all invention disclosures or other similar documents submitted to such Party by its, or its Affiliates', employees, agents or independent contractors describing such Sole Inventions or Joint Inventions. Such Party shall also respond promptly to reasonable requests from the other Party for more Information relating to such inventions.

9.3 Prosecution of Patents.

(a) [*] **Patents**. As between the Parties: (a) [*] has the first right, but not the obligation, to prepare, file, prosecute (including any interferences, reissue proceedings, reexaminations and other administrative proceedings) and maintain ("**Prosecute**") any [*] Patents that [*] (the "[*] **Patents**") at [*] sole cost and expense. For clarity, [*] Patents include, but are not limited to [*] patents that [*]. [*] shall provide [*] reasonable opportunity to review and comment on such Prosecution efforts regarding such [*] Patents in the Territory. [*] shall provide [*] with a copy of material communications from any patent authority in the Territory regarding such [*] Patents, and shall provide drafts of any material filings or responses to be made to such patent authorities a reasonable amount of time in advance of submitting such filings or responses. If [*] determines in its sole discretion that it intends to abandon or not Prosecute a [*] Patent, then [*] shall provide [*] written notice of such determination at least thirty (30) days before any deadline for taking action to avoid abandonment of such [*] Patent. [*] shall have the right, but not the obligation, to Prosecute such [*] Patent at [*] expense. If the proposed abandonment of such [*] is necessary to [*] in respect of the [*] right to continue Prosecution of such [*] Patent will be limited to the extent necessary to [*], provided that if any such abandonment or limitation would result in [*] under this Agreement, then, notwithstanding anything to the contrary in this Agreement, [*].

(b) **Rigel Patents Other Than Joint Patents.** Except as otherwise provided in Section 9.3(a) ([*]Patents), as between the Parties, Rigel shall have the sole right and authority to Prosecute the Rigel Patents other than Joint Patents in any jurisdiction in the Territory, at Rigel's cost and expense. Rigel shall provide Lilly reasonable opportunity to review and comment on such Prosecution efforts regarding such Rigel Patents in the Territory; provided that in no event shall [*]. Rigel shall provide Lilly with a copy of material communications from any patent authority in the Territory regarding such Rigel Patents, and shall provide drafts of any material filings or responses to be made to such patent authorities a reasonable amount of time in advance of submitting such filings or responses. If Rigel determines in its sole discretion to abandon or not Prosecute a Rigel Patent (other than as provided below with respect to filings in a particular jurisdiction claiming priority to another Rigel Patent), then Rigel shall provide Lilly written notice of such determination at least thirty (30) days before any deadline for taking action to avoid abandonment of such Rigel Patent. Lilly shall have the right, but not the obligation, to Prosecute such Rigel Patent on behalf of Rigel at Lilly's expense, provided that in no event shall [*]. If Lilly desires Rigel to file a Rigel Patent in a particular jurisdiction (where a corresponding Rigel Patent has not already been filed) within the Territory that claims priority to another Rigel Patent, Lilly shall provide written notice to Rigel requesting that Rigel file such patent application in such jurisdiction, and Rigel shall file and Prosecute such Rigel Patent and any patent issuing thereon in such jurisdiction.

(c) **Lilly Patents Other Than Joint Patents.** Lilly shall have the sole right and authority to Prosecute the Lilly Patents other than Joint Patents in any jurisdiction in the Territory, at Lilly's costs and expense.

(d) **Joint Patents.** Except as otherwise provided in Section 9.3(a) ([*] Patents), with respect to any potentially patentable Joint Invention, the Parties shall confer in good faith and agree upon which Party, if any, shall Prosecute patent applications and patents covering such Joint Invention (any such patent application and any patents issuing therefrom, a "**Joint Patent**") in any jurisdictions throughout the Territory, at the responsible Party's expense. It is the intention of the Parties that, unless otherwise agreed in writing, [*] would Prosecute any Joint Patents in the Territory, provided that in no event shall [*], except with [*] prior written consent. The Party that Prosecutes a patent application in the Joint Patents (the "**Prosecuting Party**") shall provide the other Party reasonable opportunity to review and comment on such Prosecution efforts regarding the applicable Joint Patents in the particular jurisdictions, and such other Party shall provide the Prosecuting Party reasonable assistance in such efforts. The Prosecuting Party shall provide the other Party with a copy of all material communications from any patent authority in the applicable jurisdictions regarding the Joint Patent being Prosecuted by such Party, and shall provide drafts of any material filings or responses to be made to such patent authorities a reasonable amount of time in advance of submitting such filings or responses. In particular, each Party agrees to provide the other Party with all information necessary to enable the other Party to comply with the duty of candor/duty of disclosure requirements of any patent authority. Should the Prosecuting Party determine that it will no longer support the continued Prosecution of a particular Joint Patent in a country or jurisdiction, such Prosecuting Party shall provide the other Party with written notice of such determination at least thirty (30) days before any deadline for taking action to avoid abandonment of such Joint Patent. Such other Party shall have the right, but not obligation, to Prosecute such Joint Patent on behalf of the Parties at its expense. If the proposed abandonment of such [*] in respect of the [*] right to continue Prosecution of such [*] Patent will be limited to the extent necessary to [*], provided that if any such abandonment or limitation would result in [*] under this Agreement, then, notwithstanding anything to the contrary in this Agreement, [*]. If the other Party desires the Prosecuting Party to file a Joint Patent in a particular jurisdiction (where a corresponding Joint Patent has not already been filed) within the Territory that claims priority to another Joint Patent, such other Party shall provide written notice to the Prosecuting Party requesting that such Prosecuting Party file such patent application in such jurisdiction, and the Prosecuting Party shall file and Prosecute such Joint Patent and any patent issuing thereon in such jurisdiction.

(e) **Cooperation in Prosecution and Orange Book Listing.** Each Party shall provide the other Party all reasonable assistance and cooperation in the Prosecution efforts provided above in this Section 9.3 (Prosecution of Patents), including providing any necessary powers of attorney and executing any other required documents or instruments for such Prosecution and including reasonable assistance and cooperation in determining a complete and correct list of [*] Patents, Rigel Patents, Lilly Patents and Joint Patents for Orange Book Listing. Such assistance shall include the provision by Rigel to Lilly of all Information, including a complete list of [*] Patents Covering the Compounds and Products, reasonably necessary to enable Lilly to make filings with Regulatory Authorities with respect to the [*] Patents, including as required in connection with (i) any Orange Book Listing, if inside the U.S.; and (ii) the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents, if outside the U.S. Lilly shall have final decision-making authority with respect to patents to be listed in the Orange Book Listing or international equivalents for Products.

9.4 Infringement and Third Party Litigation.

(a) **Notification**. If a Party becomes aware of any infringement, threatened infringement, or alleged infringement of the [*] Patents, Rigel Patents (where such Rigel Patent also includes a Valid Claim Covering a Compound or Product), Lilly Patents or Joint Patents on account of a Third Party's manufacture, use or sale of a Compound or Product in the Field, including any "patent certification" filed in the U.S. under 21 U.S.C. §355(b)(2) or 21 U.S.C. §355(j)(2) or similar provisions in other jurisdictions in connection with the sale or proposed sale of a Product (in each case, a "**Product Infringement**"), then such Party shall promptly notify the other Party in writing within [*] Business Days of any such Product Infringement and shall provide evidence in such Party's possession demonstrating such Product Infringement.

(b) **Enforcement Rights.** Lilly shall have the first right, but not the obligation, to bring an appropriate claim, suit or other action against any person or entity engaged in Product Infringement of a [*] Patent, Rigel Patent (where such Rigel Patent also includes a Valid Claim Covering a Compound or Product), or Joint Patent, and the sole right, but not the obligation, to bring an appropriate claim, suit or other action against any person or entity engaged in Product Infringement of a Lilly Patent in the Territory. Lilly shall have a period of [*] days after its receipt or delivery of such notice and evidence (as applicable), or if shorter, until [*] Business Days before the time limit, if any, set forth in the Applicable Laws for filing of such claim, suit or other action, to enforce such [*] Patent, Rigel Patent, or Joint Patent against such Third Party. In the event Lilly does not so commence such enforcement within such time period, it shall notify Rigel in writing as soon as possible, no later than the date on which such period expires, and Rigel shall have the right to commence a suit or take action to enforce the applicable [*]Patent, Rigel Patent, or Joint Patent with respect to such Product Infringement (but not, for clarity, enforcement of any Lilly Patent). The other Party shall provide to the Party enforcing any such Patents under this Section 9.4(b) (Enforcement Rights) reasonable assistance in such enforcement, at the enforcing Party's request and expense, including joining such claim, suit or action as a party plaintiff, if required by Applicable Law, to pursue such claim, suit or action. The enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, and shall reasonably consider the other Party's comments on any such efforts.

(c) **Third Party Litigation**. Except as otherwise set forth in Article 11 (Indemnification), in the event of any actual or threatened suit against Rigel, Lilly or their respective Affiliates that (i) the Exploitation of Compounds or Products in the Field in the Territory or (ii) the practice of a Rigel Technology or Lilly Technology or any part thereof in connection with the activities set forth in subsection (i) above, in each case by or on behalf of Lilly under this Agreement, infringes the patent or intellectual property rights of any Third Party (an "**Infringement Suit**"), the Party first becoming aware of such Infringement Suit shall promptly give written notice to the other Party. The Party to the suit shall have the sole right, but not the obligation, through counsel of its choosing, to assume direction and control of the defense of claims arising therefrom (including the right to settle such claims in its sole discretion). The other Party shall provide to the Party controlling any such defense under this Section 9.4(c) (Third Party Litigation) reasonable assistance in such enforcement, at the defending Party's request and expense. The defending Party shall keep the other Party regularly informed of the status and progress of such defense efforts, and shall reasonably consider the other Party's comments on any such efforts. This Section 9.4(c) (Third Party Litigation) shall not be construed to modify either Party's rights or obligations under Article 11 (Indemnification).

(d) **Settlement.** Except as expressly provided under Section 9.4(c) (Third Party Litigation) above, prior written consent of the other Party is required for either Party to settle any claim, suit or action that it brought under this Section 9.4 (Infringement and Third Party Litigation) involving the intellectual property of the other Party in any manner that would negatively impact such intellectual property.

(e) **Expenses and Recoveries.** If monetary damages are recovered from a Third Party in a claim, suit or action under Section 9.4(b) (Enforcement Rights) against any person or entity engaged in Product Infringement of the Rigel Patents (where such Rigel Patent also includes a Valid Claim Covering a Compound or Product), [*] Patents or Joint Patents in the Territory, such recovery shall be allocated first to the reimbursement of any expenses incurred by the Parties in such litigation, and any remaining amount shall be distributed as follows: (i) if Lilly is the Party enforcing such Patent, then any remaining amount shall be allocated [*] to Lilly and [*] to Rigel; and (ii) if Rigel is the Party enforcing such Patent, then any remaining amount shall be allocated [*] to Rigel and [*] to Lilly.

9.5 Confirmatory Patent Licenses. Rigel shall, if requested to do so by Lilly and at Lilly's expense, promptly enter into confirmatory license agreements in a customary form reasonably requested by Lilly for the purposes of recording the licenses granted under this Agreement with such patent offices in the Territory as Lilly considers appropriate.

9.6 Patent Marking. Lilly shall, and shall require its Affiliates and Sublicensees to, mark the Product sold by it hereunder with appropriate patent numbers or indicia to the extent required by Applicable Law.

9.7 Personnel Obligations. Prior to any Person beginning work under this Agreement, Lilly and Rigel shall ensure that their respective employees, agents and independent contractors, and those of their respective Affiliates engaged in activities under this Agreement, are bound by written obligations of non-disclosure and non-use with respect to Confidential Information and invention assignment that are consistent with this Agreement, including: (a) promptly reporting to the applicable Party any invention, discovery, process or other intellectual property right arising in the course of this Agreement; (b) assigning to the applicable Party all of his, her or its right, title and interest in and to any invention, discovery, process or other intellectual property right arising in the course of this Agreement; (c) cooperating in the Prosecution and enforcement of any patent and patent application covering the inventions described in subsection (b) above; (d) performing all acts and signing, executing, acknowledging and delivering any and all documents required for effecting the obligations and purposes of this Section 9.7 (Personnel Obligations); and (e) abiding by the obligations of non-disclosure and non-use set forth in Article 12 (Confidentiality). It is understood and agreed that such non-disclosure, non-use and invention assignment agreements need not reference or be specific to this Agreement.

9.8 Patent Term Extensions.

(a) The Parties shall cooperate in obtaining patent term extensions (under but not limited to the Drug Price Competition and Patent Term Restoration Act), supplemental protection certificates, or their equivalents, with respect to the [*] Patents, Rigel Patents, Lilly Patents and/or Joint Patents Covering Products in any country and/or region where applicable.

(b) [*] shall determine which [*] Patent, Rigel Patent or Lilly Patent it will apply to extend, after consulting with [*] and reasonably considering any opinion provided, and shall file for such adjustment and extension at [*] cost and expense.

9.9 Trademarks. Lilly shall be responsible at its sole cost and discretion for the selection, registration, maintenance and defense of all Trademarks for use in connection with the sale or marketing of the Products in the Field in the Territory.

9.10 CNS Penetrant Products. Notwithstanding anything to the contrary in this Agreement, the rights and obligations of Lilly under Sections 9.3(a) ([*]Patents), 9.3(b) (Rigel Patents Other Than Joint Patents), 9.3(d) (Cooperation in Prosecution and Orange Book Listing), 9.4(b) (Enforcement Rights), 9.4(e) (Expenses and Recoveries), 9.8 (Patent Term Extensions), and 9.9 (Trademarks) with respect to CNS Penetrants and CNS Penetrant Products shall be contingent upon, and shall not take effect until, Rxxx Acceptance.

9.11 In-Licenses. If Rigel obtains from a Third Party a right or license to intellectual property or other subject matter that is included in the Rigel Technology that is necessary to Exploit a Compound or Product (such other intellectual property or other subject matter, "**Third Party Technology**"), and for which payment would become due to such Third Party as a result of Lilly's Exploitation of a Compound or Product, then the following shall apply: Rigel shall provide Lilly with a true, complete and correct written description of such Third Party Technology, such payment obligation and the applicable terms under the agreement with such Third Party ("**Third Party Agreement**") entered into after the Effective Date to which Lilly must be bound to become a sublicensee under the Third Party Technology. Notwithstanding Section 7.1 (License Grant to Lilly), the licenses and rights granted to Lilly under such Third Party Technology shall not be effective unless and until Lilly agrees in writing to be bound by the applicable terms of such Third Party Agreement and reimburse Rigel for [*] of the payments owed to such Third Party to the extent such payments become due by reason of Lilly's exercise of such Third Party Technology. If Lilly does so agree within [*] days of such disclosure, then [*] of any payments that Lilly reimburses pursuant to this paragraph may be offset against royalties payments due to Rigel under Section 8.4(a) (Non-CNS Penetrant Products) or 8.4(b) (CNS Penetrant Products), as applicable, on the Net Sales of the applicable Product; provided, however, that in no event shall such royalty payments due to Rigel be reduced by more than [*] in any Calendar Quarter; and provided, further, that Lilly shall be entitled to carry forward to subsequent Calendar Quarters any amounts with respect to which Lilly would have been entitled to make a deduction pursuant to this Section 9.11 (In-Licenses), but is unable to take such deduction pursuant to the first proviso in this Section 9.11 (In-Licenses). If Lilly does not so agree within [*] days of such disclosure, then such Third Party Technology shall thereafter be deemed excluded from the licenses and rights granted to Lilly under this Agreement.

ARTICLE 10

Representations And Warranties

10.1 Mutual Representations and Warranties. Each Party hereby represents, warrants, and covenants (as applicable) to the other Party as of the Execution Date (and each Party shall promptly inform the other Party in writing if, between the Execution Date and Effective Date, any such representation or warranty is no longer true or accurate, and in the event any such representation or warranty is no longer true or accurate, the non-defaulting Party may treat such lapse as a breach of this Agreement giving rise to a right to terminate this Agreement pursuant to Section 13.2 below) as follows:

(a) **Corporate Existence and Power.** It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including the right to grant the licenses granted by it hereunder.

(b) **Authority and Binding Agreement.** (i) It has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder; and (iii) this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

(c) **No Conflict.** It is not a party to and will not enter into any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under this Agreement.

(d) **No Debarment.** Neither it nor its officers, employees, agents, consultants or any other person used by it in the performance of its respective activities under this Agreement is: (i) debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act; (ii) listed by any government or regulatory agencies as ineligible to participate in any government healthcare programs or government procurement or non-procurement programs (as that term is defined in 42 U.S.C. § 1320a-7b(f)), or excluded, debarred, suspended or otherwise made ineligible to participate in any such program; or (iii) convicted of a criminal offense related to the provision of healthcare items or services, or is subject to any such pending action (any of (i)-(iii), "**Debarred**").

(e) **Tax Resident.** It is a resident of the jurisdiction in which it is incorporated as such term is defined pursuant to Applicable Laws.

10.2 Representations and Warranties by Rigel. Rigel hereby represents and warrants to Lilly as of the Execution Date (and Rigel shall promptly inform Lilly in writing if, between the Execution Date and Effective Date, any such representation or warranty is no longer true or accurate, and in the event any such representation or warranty is no longer true or accurate, Lilly may treat such lapse as a breach of this Agreement giving rise to a right to terminate this Agreement pursuant to Section 13.2 below) as follows:

(a) **Title and Control.** (i) Rigel is the sole and exclusive owner of the Rigel Patents listed in **Exhibit 1.97** (Rigel Patents), which list , to Rigel's knowledge , includes all Patents that Cover the Compounds or the Exploitation thereof as of the Execution Date, and Rigel has the right to grant to Lilly the license under the Rigel Technology that Rigel purports to grant hereunder and (ii) Rigel has Control over all Patents and Information owned by it or its Affiliates as of the Execution Date that are necessary for the Development, Manufacturing, use or Commercialization of the Compounds contemplated by this Agreement as of the Execution Date.

(b) **No Encumbrance**. There are no Compounds that are subject to an executed agreement between Rigel and a Third Party or Rigel's commitment to negotiate an agreement with a Third Party that would prevent or conflict with the inclusion of such Compound in the license granted by Rigel to Lilly hereunder on the exclusive basis as set forth in Article 7 above. Rigel and its Affiliates have not granted any rights (or other encumbrances) to any Third Party to Rigel Technology that prevents or conflicts with the rights granted to Lilly hereunder.

(c) **Notice of Infringement or Misappropriation.** Neither Rigel nor any of its Affiliates have received any written notice from any Third Party asserting or alleging that the Exploitation of a Compound infringes or misappropriates the intellectual property rights of such Third Party.

(d) **Assignments.** Rigel has obtained from all individuals listed as inventors of Rigel Patents that include a Valid Claim Covering of a Compound or Product, effective assignments of all ownership rights of such individuals in such Rigel Patents, either pursuant to written agreement or by operation of law.

(e) **No Proceedings.** Rigel: (a) has not received any written notice of any threatened claims or litigation seeking to invalidate or otherwise challenge the Rigel Technology, including the Rigel Patents (that include a Valid Claim Covering a Compound or Product), or Rigel's or its Affiliates' rights therein; and (b) is not aware of any pending or threatened action, suit, proceeding or claim by a Third Party involving the Rigel Technology or Compounds.

(f) **Validity**. Neither Rigel nor any of its Affiliates have taken any action, as of the Execution Date, that would render any invention claimed in an issued Rigel Patent Covering a Compound or Product unpatentable.

(g) **No Government Funding**. The inventions claimed or covered by the Rigel Patents: (a) were not conceived, discovered, developed or otherwise made in connection with any research activities funded, in whole or in part, by any Governmental Authority in the Territory (including, for example, any funding by the federal government of the United States of America or any agency thereof); (b) are not a "subject invention" as that term is described in 35 U.S.C. Section 201(e) , or any equivalent Applicable Laws in the Territory, and (c) are not otherwise subject to the provisions of the Patent and Trademark Law Amendments Act of 1980, as amended, codified at 35 U.S.C. §§ 200-212, as amended, as well as any regulations promulgated pursuant thereto, including in 37 C.F.R. Part 401 , or any equivalent Applicable Laws in the Territory.

10.3 **Covenants**. Each Party hereby covenants to the other Party the following:

(a) **No Conflicts**. It and its Affiliates will not grant, during the Term, any rights (or other encumbrances) to any Third Party that prevents or conflicts with the rights granted to the other Party hereunder.

(b) **No Debarment**. It will not during the Term knowingly, employ or use, directly or indirectly, including through its Affiliates the services of any Debarred person. In the event that it becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to it, directly or indirectly, including through its Affiliates or, in the case of Lilly, Sublicensees, which directly or indirectly relate to activities contemplated by this Agreement, such Party shall promptly notify the other Party in writing and such Party shall cease employing, contracting with, or retaining any such person to perform any such services.

(c) **Applicable Laws.** It and its Affiliates are in compliance with, and shall maintain such compliance in all material respects with all Applicable Laws (including the Foreign Corrupt Practices Act of 1977, as amended, any laws enacted to implement the Organisation of Economic Cooperation and Development Convention on Combating Bribery of Foreign Officials in International Business Transactions, and all other applicable anti-bribery and export control law) in the Exploitation of the Compounds and Products and performance of its obligations and exercise of its rights under this Agreement, and including all Applicable Laws and all applicable contractual obligations with respect to the receipt, collection, compilation, use, storage, processing, sharing, safeguarding, security (technical, physical and administrative), disposal, destruction, disclosure, or transfer (including cross-border) of Personal Information in connection with this Agreement, including providing any notice, obtaining any consent and/or prior authorization, and conducting any assessment required under Applicable Laws, with respect thereto.

(d) **Prohibited Conduct**. Without limiting the other obligations of the Parties set forth in this Section 10.3 (Covenants), it covenants to the other Party that, as of the Effective Date and in the performance of its obligations under this Agreement through the expiration and termination of this Agreement, its and, to its knowledge, its Affiliates and its and its Affiliates' employees and contractors, in connection with the performance of their respective obligations under this Agreement, have not made, offered, given, promised to give, or authorized, and will not make, offer, give, promise to give, or authorize, any bribe, kickback, payment or transfer of anything of value, directly or indirectly through Third Parties, to any Government Official for the purpose of: (i) improperly influencing any act or decision of the Person or Government Official; (ii) inducing the Person or Government Official to do or omit to do an act in violation of a lawful or otherwise required duty; (iii) securing any improper advantage; or (iv) inducing the Person or Government Official to improperly influence the act or decision of any organization, including any government or government instrumentality, to assist any Party in obtaining or retaining business. For the purpose of this Section, "**Government Official**" means: (x) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), agent, representative, department, agency, de facto official, representative, corporate entity, instrumentality or subdivision of any government, military or international organization, including any ministry or department of health or any state-owned or affiliated company or hospital; (y) any candidate for political office, any political party or any official of a political party, in each case for the purpose of obtaining or retaining business for or with, or directing business to, any Person, including either Party; or (z) any Person acting in an official capacity on behalf of any of the foregoing.

(e) **Controlled Materials.** It has not and will not knowingly transfer to the other Party any goods, software, technology, or services that are (a) controlled at a level other than EAR99, or for reasons other than anti-terrorism, under the U.S. Export Administration Regulations; (b) controlled under the U.S. International Traffic in Arms Regulations; (c) specifically identified as an E.U. Dual Use Item; or (d) on an applicable export control list of a jurisdiction within the Territory.

10.4 Disclaimer. Each Party understands that the Compound(s) and Product(s) are the subject of ongoing Development and that the other Party cannot assure the safety or usefulness of the Compound(s) or Product(s) or any RIP1 Inhibitor developed under the Development Plan. In addition, Rigel makes no warranties except as set forth in this Article 10 (Representations and Warranties) concerning the Rigel Technology and Lilly makes no warranties except as set forth in this Article 10 (Representations and Warranties) concerning the Lilly Technology.

10.5 No Other Representations or Warranties. EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 10 (REPRESENTATIONS AND WARRANTIES), NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, IS MADE OR GIVEN BY OR ON BEHALF OF A PARTY. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

ARTICLE 11

Indemnification

11.1 Indemnification by Rigel. Rigel shall defend, indemnify, and hold harmless Lilly, its Affiliates, and their respective officers, directors, employees, and agents (the "**Lilly Indemnitees**") from and against any and all damages or other amounts payable to a Third Party claimant, as well as any reasonable attorneys' fees and costs of litigation incurred by such Lilly Indemnitees, all to the extent resulting from claims, suits, proceedings or causes of action brought by such Third Party ("**Lilly Claims**") against such Lilly Indemnitee based on or arises out of: (a) a breach of any of Rigel's representations, warranties or obligations under the Agreement; or (b) the willful misconduct or negligent acts of Rigel, its Affiliates, or the officers, directors, employees, or agents of Rigel or its Affiliates in connection with this Agreement. The foregoing indemnity obligation shall not apply to the extent that such Lilly Claim is based on or arises out of: (i) a breach of any of Lilly's representations, warranties or obligations under the Agreement; or (ii) the willful misconduct or negligent acts of Lilly or its Affiliates, or the officers, directors, employees, or agents of Lilly or its Affiliates.

11.2 Indemnification by Lilly. Lilly shall defend, indemnify, and hold harmless Rigel, its Affiliates, and their respective officers, directors, employees, and agents (the "**Rigel Indemnitees**") from and against any and all damages or other amounts payable to a Third Party claimant, as well as any reasonable attorneys' fees and costs of litigation incurred by such Rigel Indemnitees, all to the extent resulting from claims, suits, proceedings or causes of action brought by such Third Party ("**Rigel Claims**") against such Rigel Indemnitee based on or arises out of: (a) the Development, Manufacture, or Commercialization of a Product by Lilly or its Affiliates, Sublicensees, or Distributors in the Territory; (b) a breach of any of Lilly's representations, warranties or obligations under the Agreement; or (c) the willful misconduct or negligent acts of Lilly or its Affiliates, or the officers, directors, employees, or agents of Lilly or its Affiliates in connection with this Agreement. The foregoing indemnity obligation shall not apply to the extent that any Rigel Claim is based on or arises out of: (i) a breach of any of Rigel's representations, warranties or obligations under the Agreement; or (ii) the willful misconduct or negligent acts of Rigel, its Affiliates, or the officers, directors, employees, or agents of Rigel or its Affiliates.

11.3 Indemnification Procedures. The Party claiming indemnity under this Article 11 (Indemnification) (the "**Indemnified Party**") shall give written notice to the Party from whom indemnity is being sought (the "**Indemnifying Party**") promptly after learning of the claim, suit, proceeding or cause of action for which indemnity is being sought ("**Claim**"). The Indemnified Party shall provide the Indemnifying Party with reasonable assistance, at the Indemnifying Party's expense, in connection with the defense of the Claim for which indemnity is being sought. The Indemnified Party may participate in and monitor such defense with counsel of its own choosing at its sole expense; provided, however, the Indemnifying Party shall have the right to assume and conduct the defense of the Claim with counsel of its choice. The Indemnifying Party shall not settle any Claim without the prior written consent of the Indemnified Party, not to be unreasonably withheld, unless the settlement involves only the payment of money. So long as the Indemnifying Party is actively defending the Claim in good faith, the Indemnified Party shall not settle any such Claim without the prior written consent of the Indemnifying Party. If the Indemnifying Party does not assume and conduct the defense of the Claim as provided above, (a) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (b) the Indemnifying Party will remain responsible to indemnify the Indemnified Party as provided in this Article 11 (Indemnification).

11.4 Limitation of Liability. NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OR FOR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY IN CONNECTION WITH THIS AGREEMENT, EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY AS PART OF A CLAIM FOR WHICH A PARTY PROVIDES INDEMNIFICATION UNDER THIS Article 11 (INDEMNIFICATION), *PROVIDED, HOWEVER*, THAT EACH PARTY SHALL HAVE THE RIGHT TO SEEK CONSEQUENTIAL DAMAGES FROM THE OTHER PARTY FOR SUCH OTHER PARTY'S BREACH OF ITS OBLIGATIONS UNDER SECTION 7.5 (EXCLUSIVITY) OR ARTICLE 12 (CONFIDENTIALITY) OR FOR SUCH OTHER PARTY'S INFRINGEMENT OF THE FIRST PARTY'S INTELLECTUAL PROPERTY RIGHTS.

11.5 Insurance. Rigel, and any permitted Lilly assignee, shall procure and maintain insurance (which may be satisfied through self-insured arrangements), adequate to cover its indemnification obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated at all times during which any Product is being clinically tested in human subjects or commercially distributed or sold. It is understood that any insurance held by a Party shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 11 (Indemnification). Rigel and any permitted Lilly assignee shall provide the other with written evidence of such insurance upon request. Rigel and any permitted Lilly assignee shall provide the other with written notice at least thirty (30) days prior to the cancellation, non-renewal or material change in such insurance or self-insurance which materially adversely affects the rights of the other Party hereunder.

ARTICLE 12

Confidentiality

12.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party agrees that, for the Term and for [*] years thereafter, it shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in this Agreement any Confidential Information of the other Party pursuant to this Agreement except for that portion of such information or materials that the receiving Party can demonstrate by competent written proof:

(a) was already known to the receiving Party or its Affiliate, other than under an obligation of confidentiality, at the time of disclosure by the other Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement;

(d) was disclosed to the receiving Party or its Affiliate by a Third Party without obligations of confidentiality with respect thereto; or

(e) was independently discovered or developed by the receiving Party or its Affiliate without the use of the other Party's Confidential Information.

12.2 Authorized Disclosure. Each Party may use and disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary in the following situations:

(a) submitting regulatory filings and other filings with Regulatory Authorities, including filings with the FDA, with respect to a Product, provided that reasonable measures shall be taken to assure confidential treatment of such Confidential Information to the extent practicable and consistent with Applicable Law;

(b) prosecuting or defending litigation relating to the subject matter of this Agreement, provided that reasonable measures shall be taken to assure confidential treatment of such Confidential Information to the extent practicable and consistent with Applicable Law;

(c) complying with Applicable Laws, including regulations promulgated by securities exchanges and as provided in Section 12.4 (Publicity; Terms of Agreement), provided that the Party seeking to make such disclosure shall, to the extent practicable, give reasonable advance notice to the other Party of such disclosure and use reasonable efforts to secure confidential treatment of such Confidential Information;

(d) in response to a valid request by a U.S., state, foreign, provincial, or local tax authority, in which case such Party may disclose, without limitation, a copy of this Agreement (including any Exhibits, schedules, ancillary agreements, and amendments hereto) ; and

(e) disclosure to its Affiliates, employees, agents, independent contractors, and Sublicensees only on a need-to-know basis and solely as necessary in connection with the exercise of its rights or the performance of its obligations under this Agreement, provided that each such person or entity receiving such Confidential Information must be bound by similar obligations of confidentiality and non-use at least equivalent in scope as those set forth in this Article 12 (Confidentiality) prior to any such disclosure, provided that such confidentiality and non-use obligations may be subject to a shorter duration of no less than [*] years.

12.3 Public Domain Information and Residual Knowledge. Nothing in this Agreement shall prevent a Party from using any Information that is in the public domain, except that the foregoing shall not be construed as a grant of any rights under any Patent rights of the other Party nor limit the other Party's rights with respect to infringement of any Patent. A Party shall also not be restricted under, and shall not be in breach of, this Agreement from using, within or outside this Agreement and for any purpose, any general or specific knowledge, skill, and expertise acquired by its employees (or its Affiliates' employees) in their performance of this Agreement ("**Residuals**") solely to the extent such Residuals shall have been retained in the unaided memory (without intentional memorization) of such employees in intangible form and without use by the Party or such employees of tangible copies of any Confidential Information of the other Party; provided that this provision will not be deemed in any event to provide any right to infringe, or to grant any license to or under, the Patent rights of the other Party or of Third Parties that have licensed or provided materials to the other Party ; provided, further, that a Party's use of such Residuals is on an "as is, where is" basis, with all faults and all representations and warranties disclaimed and at such Party's sole risk.

12.4 Publicity; Terms of Agreement.

(a) **Terms of Agreement**. The Parties agree that the terms of this Agreement are the Confidential Information of both Parties, subject to the authorized disclosure provisions set forth in Section 12.2 (Authorized Disclosure) and this Section 12.4 (Publicity; Terms of Agreement).

(b) **Joint Press Release**. The Parties shall make a joint public announcement of the execution of this Agreement substantially in the form of the press release attached as **Exhibit 12.4(b) (Form of Press Release)** on or after the Execution Date. In addition, following the initial press release announcing the execution of this Agreement, either Party shall be free to disclose, without the other Party's consent, the existence of this Agreement, the identity of the other Party and those terms of this Agreement which have already been publicly disclosed in accordance with this Section 12.4 (Publicity; Terms of Agreement).

(c) **Subsequent Publicity**. After release of such press release, if either Party desires to make a public announcement concerning the material terms of, or material events occurring under, this Agreement, such Party shall give reasonable prior advance notice of the proposed text of such announcement to the other Party for its prior review and approval (except as otherwise provided herein), such approval not to be unreasonably withheld. A Party commenting on such a proposed press release shall provide its comments, if any, within five (5) Business Days after receiving the press release for review (or, if any Applicable Law requires an earlier release of such press release, a shorter period to allow the Party seeking to issue such press release to comply with such Applicable Law). Each Party shall have the right to make a press release announcing the achievement of each milestone under this Agreement as it is achieved. Each Party shall have the right to publish and to otherwise make public disclosures regarding the filing of INDs, Commencement and completion of Clinical Trials and achievements of Marketing Approvals as they occur with respect to any Product that is subject to cost-sharing, including a joint press release with the other Party in a mutually agreed form reporting the results of any Clinical Trial of the R552 Product that is subject to R552 Cost Sharing (or any other Non-CNS Penetrant Product when subject to cost sharing following Rigel's exercise of the Cost Sharing Option). Lilly shall have the right to publish and to otherwise make public disclosures regarding the filing of INDs, Commencement and completion of Clinical Trials and achievements of Marketing Approvals as they occur with respect to any Product that is being Developed at Lilly's sole cost, including a joint press release with the Rigel in a mutually agreed form reporting the results of any Clinical Trial of any such Product. In relation to each Party's review of such an announcement, the other Party shall consider in good faith any specific, reasonable comments on such proposed press release provided by such reviewing Party within the prescribed time for commentary.

(d) **Partners and Investors**. Either Party may disclose this Agreement to any bona fide potential or actual investor, investment banker, acquirer, merger partner, lender or other financial partner; provided that in connection with such disclosure, each person or entity receiving such Confidential Information is at the time of such disclosure bound by a confidentiality agreement at least as stringent in scope as the provisions of this Article 12 (Confidentiality); provided that such confidentiality agreement may be subject to a shorter duration of no less than [*] years.

(e) **SEC Filing**. The Parties acknowledge that Rigel may be obligated to file a copy of this Agreement with the SEC. Rigel shall be entitled to make such a required filing, provided that it requests confidential treatment of at least the commercial terms and sensitive technical terms hereof to the extent such confidential treatment is reasonably available to Rigel. In the event of any such filing, Rigel will first provide Lilly with a copy of the Agreement, reasonably in advance, marked to show provisions for which Rigel intends to seek confidential treatment, for Lilly to review and provide comments (including proposed redactions to avoid disclosure of Confidential Information), which comments or revisions shall be incorporated and provided to Lilly for final approval, to the extent consistent with the legal requirements governing redaction of information from material agreements that must be publicly filed. Rigel shall also be entitled to make public disclosures of the terms of this Agreement and developments related to this Agreement as required by Applicable Laws or as instructed by the SEC or other government agencies. Rigel shall give Lilly prior written notice, to the extent practicable, of any such public disclosure that contains information not previously released and shall discuss with Lilly the reason for such disclosure and shall in good faith take into account any comments from Lilly in relation to such disclosure.

12.5 Publications. Each Party shall be entitled to issue scientific publications and make presentations with respect to studies and Clinical Trials conducted by such Party on the Compounds or the Products in accordance with the terms of this Section 12.5 (Publications). Each Party may publicly present or publish the result of studies carried out by such Party provided that, prior to the first such presentation or publication of such results, such Party shall provide a draft of the proposed presentation or publication to the other Party with at least [*] days for such other Party to review and provide comments (including proposed redactions to avoid disclosure of such Party's Confidential Information), which such comments shall be considered by such Party in good faith, and neither Party shall have the right to publish or present such other Party's Confidential Information without such other Party's prior written consent (for clarity, where a Party has provided proposed redactions to avoid disclosure of such Party's Confidential Information, the publishing Party shall wholly implement such redactions in such presentation or publication without exception or amendment). Without limiting the foregoing, the Parties further acknowledge that Rigel has made significant contributions to the discovery of Compounds and Products and the Parties agree that any public disclosure made regarding any Compound(s) and/or Product(s) shall give appropriate recognition to the Rigel scientists who are responsible for the discovery of such Compound(s) and/or Product(s).

12.6 CNS Penetrant Products. Notwithstanding anything to the contrary in this Agreement, the rights and obligations of Lilly under Section 12.5 (Publications) with respect to CNS Penetrants and CNS Penetrant Products shall be contingent upon, and shall not take effect until, Rxxx Acceptance; provided that, prior to the earlier of Rxxx Acceptance and Rxxx Opt-Out: (a) the Parties will promptly work together on the content of any publication or other disclosure contemplated by Rigel, (b) Rigel shall afford Lilly a period of [*] days to review any manuscript not yet presented for publication or any similarly contemplated disclosure in written form, (c) Lilly may reasonably delay or prevent such publication for up to [*] days as Lilly in good faith believes necessary to protect Lilly's rights with respect to the Compounds or Products, and (d) Rigel shall reasonably consider any comments from Lilly in respect of such reviewed manuscript or writing provided prior to the expiration of such [*] day review period.

ARTICLE 13

Term and Termination

13.1 Term. This Agreement shall become effective on the Execution Date (subject to Section 15.14 (HSR Filings)) and, unless earlier terminated pursuant to this Article 13 (Term and Termination), shall remain in effect until the expiration of Lilly's financial obligations under this Agreement (the "**Term**").

13.2 Termination by Either Party for Breach. Each Party shall have the right to terminate this Agreement upon written notice to the other Party if the other Party materially breaches its obligations under this Agreement and, after receiving written notice from the non-breaching Party identifying such breach in reasonable detail, fails to cure such material breach within [*] days of the date of such notice ("**Primary Cure Period**"); *provided* that if such breach does not pertain to amounts owed to Rigel under Article 8 (Financial Terms) and is not reasonably capable of cure within such [*]-day period, and the breaching Party submits, prior to the end of such [*]-day period, a reasonable plan to cure the breach within an additional [*] days, in which case the other Party may not terminate this Agreement for so long as the breaching Party is using Commercially Reasonable Efforts to implement such cure plan and actually cures the material breach within such additional [*] day period. If, prior to the expiration of the Primary Cure Period, the breaching Party provides notice to the non-breaching Party that such breaching Party disputes in good faith the existence or materiality of a breach and the reasons therefor ("**Disputed Breach Notice**"), the right of the non-breaching Party to terminate under this Section 13.2 (Termination by Either Party for Breach) shall be tolled for a period of up to [*] months pending resolution of such dispute pursuant to Section 14.1 (Disputes). Following resolution of such dispute, if there has been a determination that a material breach has occurred, the breaching Party shall be entitled to a further and final [*] day period from the date of such determination in which to cure such breach. If such breach has not been cured within such further [*] day period, the non-breaching Party may terminate under this Section 13.2 (Termination by Either Party for Breach).

13.3 Termination following Insolvency Event. Either Party may terminate this Agreement without notice if an Insolvency Event occurs in relation to the other Party. In any event when a Party first becomes aware of the likely occurrence of any Insolvency Event in regard to that Party, it shall promptly so notify the other Party in sufficient time to give the other Party sufficient notice to protect its interests under this Agreement.

13.4 Termination for Patent Challenge. Either Party may terminate this Agreement in its entirety upon [*] days' prior written notice to the other Party if such other Party or such other Party's Affiliates or Sublicensees, directly or indirectly, individually or in association with any other Person, challenge the validity, scope or enforceability of any Patent Controlled by the non-challenging Party or its Affiliates covering any Compound or Product anywhere in the Territory (a "**Patent Challenge**"), other than in response to (a) a threat of an infringement claim by the non-challenging party, (b) as necessary to secure allowance of a Patent claim held by the non-challenging party or its Affiliates or licensees, or (c) in defense of a claim of infringement brought by the non-challenging party; provided that if such challenging Party or its Affiliate or Sublicensee withdraws (or causes to be withdrawn) such Patent Challenge (or, in the case of a challenge brought by a Sublicensee, terminates the sublicense to such Sublicensee) within thirty (30) days after being requested to do so by the other Party in writing (which termination notice will be deemed a request), then such Party will have no right to terminate this Agreement pursuant to this Section 13.4 (Termination for Patent Challenge) with respect to such Patent Challenge.

13.5 Termination of Non-CNS Program or CNS Program without Cause. Lilly may, in its sole discretion and without cause, terminate this Agreement with respect to either the Non-CNS Program or CNS Program , or in its entirety, upon [*] days' prior written notice to Rigel.

13.6 Termination of CNS Program for Rxxx Opt-Out. Upon Rxxx Opt-Out, this Agreement shall terminate automatically with respect to the CNS Program and CNS Penetrants.

13.7 Termination for Failure to Obtain HSR Clearance. Each Party will have the right to terminate this Agreement in its entirety as provided in Section 15.14(a) (HSR Act Filings).

13.8 Effects of Termination for Any Reason. Upon termination of this Agreement for any reason in its entirety or with respect to only the CNS Program or only the Non-CNS Program (each such Program so terminated, a "**Terminated Program**"), the following shall apply with respect to all Programs if terminated in its entirety or only with respect to the Terminated Program if not terminated in its entirety:

(a) **Licenses.** The licenses and rights granted in Section 7.1 (Grants), including any sublicenses granted thereunder, shall terminate.

(b) **Compounds and Products**. All Compounds and Products with respect to a Terminated Program, *i.e.*, CNS Penetrants and CNS Penetrant Products for the CNS Program and Non-CNS Penetrants and Non-CNS Penetrant Products for the Non-CNS Program, (each, a "**Terminated Compound**" and "**Terminated Product**," respectively) shall cease to be Compounds and Products under this Agreement.

(c) **Exclusivity**. Notwithstanding Section 7.5 (Exclusivity): (i) if this Agreement is terminated only with respect to the CNS Program, then Section 7.5 (Exclusivity) shall not restrict any of Rigel or its Affiliates activities in CNS Indications; and (ii) if this Agreement is terminated only with respect to the Non-CNS Program, then Section 7.5 (Exclusivity) shall not restrict any of Rigel or if Affiliates activities in non-CNS Indications.

(d) **Joint Patents**. Each Party shall continue to have its rights with respect to Joint Patents under Article 9 (subject to Section 13.10(a) (Grantback)), except that Rigel shall have the sole right to control the Prosecution and enforcement of any Joint Patent that Covers a Terminated Compound or Terminated Product at Rigel's expense (with reasonable assistance by Lilly in such Prosecution and enforcement, at Rigel's request and expense, including joinder as a party plaintiff, if required by Applicable Law to pursue a claim, suit or action), and all proceeds remaining after any such enforcement following reimbursement of expenses shall be allocated to Rigel.

13.9 Lilly Option to Continue [*]. Notwithstanding anything to the contrary under this Agreement, and without prejudice to any other rights or remedies of Lilly in law or equity, Lilly shall have the right, at its option and by written notice to Rigel, in lieu of exercising its right to terminate this Agreement under Sections 13.2 when such breach is [*], to instead continue this Agreement in accordance with its terms, in which case [*].

13.10 Effects of Termination Other Than for Rigel Breach. Upon termination of this Agreement for any reason other than by Lilly under Sections 13.2 (Termination by Either Party for Breach), 13.3 (Termination following Insolvency Event), or 13.4 (Termination for Patent Challenge), or by either Party pursuant to Section 13.7 (Termination for Failure to Obtain HSR Clearance), the following shall apply with respect to all Programs if terminated in its entirety or only with respect to the Terminated Program if not terminated in its entirety:

(a) **Grantback**. Upon Rigel's written request provided to Lilly no later than within [*] days after the effective date of the termination at issue, Lilly shall, for a period not less than [*] days following the applicable effective date of such termination, negotiate with Rigel in good faith the terms of a non-exclusive, worldwide, fully-paid, perpetual, irrevocable, royalty-bearing license, with the right to grant multiple tiers of sublicenses, under such Lilly Technology as is necessary to Exploit the Terminated Compounds and Terminated Products, with any such agreed terms to be memorialized in a written agreement; provided that, where the Parties do not agree to terms within such [*] day period, [*].

(b) **Regulatory Materials; Trademarks.** Lilly shall transfer and assign to Rigel all Marketing Approvals, Regulatory Materials and Trademarks Controlled by Lilly for the Terminated Compounds and Terminated Products, and in each case, unless otherwise prohibited by Applicable Laws or requested by Rigel, the foregoing transfer and assignment shall be made within [*] days after the effective date of such termination of this Agreement, and if such assignment cannot be made under Applicable Laws within such period, as soon as practicable thereafter. Pending transfer of such Marketing Approvals and Regulatory Materials, Lilly hereby grants to Rigel a right of reference to all such Marketing Approvals and Regulatory Materials for all uses in connection with Terminated Compounds and Terminated Products. Lilly shall provide the applicable Regulatory Authority a letter confirming this right of reference within [*] days after Rigel's request and shall take such other actions and execute such other documents as Rigel may reasonably request to further confirm and give effect to this right of reference. Notwithstanding anything to the contrary in this Agreement, all such Marketing Approvals and Regulatory Materials shall be deemed to be the Confidential Information of Rigel, and not Lilly.

(c) **Remaining Inventories.** At Rigel's request, Lilly shall transfer inventory of Terminated Compounds and Terminated Products to Rigel without additional consideration.

(d) **Transition Assistance.**

(i) **Transfer**. Lilly shall, at Rigel's request, assign to Rigel any agreements with Third Parties performing Development, Manufacturing or Commercialization related activities for Lilly under this Agreement relating to Terminated Compounds or Terminated Products (or corresponding placebo), provided that if any such agreement between Lilly and a Third Party is not assignable to Rigel, then Lilly shall exercise its rights under any such agreement at Rigel's request and expense so that Rigel can obtain the benefit of such agreement. In any event, Lilly shall, at no cost to Rigel, transfer to Rigel all Lilly Know-How necessary to Exploit Terminated Compounds and Terminated Products.

(ii) **Development**. If any Development activity, including the conduct of any Clinical Trial, is ongoing for a Terminated Compound or Terminated Product at the time of termination, then, at Rigel's request, Lilly shall conduct an orderly transfer of the responsibility for such Development activity to Rigel, at Rigel's expense.

(iii) **Commercialization**. If this Agreement is terminated after the First Commercial Sale of a Terminated Product, Lilly, its Affiliates and its Sublicensees shall, at Lilly's expense and to the extent requested by Rigel, continue to fulfill orders for the Terminated Product through their respective then-existing distribution network of internal and external distributors of such Terminated Product, in accordance with the terms and conditions of this Agreement, in each country for which Marketing Approval therefor has been obtained, for [*] months after the effective date of termination ("**Commercialization Wind-down Period**"). Notwithstanding any other provision of this Agreement, during the Commercialization Wind-down Period, Lilly's and its Affiliates' and Sublicensees' rights with respect to Terminated Products shall be non-exclusive and, without limiting the foregoing, Rigel shall have the right to engage one or more other distributor(s) or licensee(s) for such Terminated Products. Any Terminated Product sold or disposed of by Lilly, its Affiliates or its Sublicensees during the Commercialization Wind-down Period shall be subject to applicable payment obligations under Article 8 (Financial Terms). In addition, if at the effective time of such termination, Lilly or its Affiliates are undertaking detailing activities with respect to a particular Terminated Product, then, at Rigel's request, the Parties will negotiate and agree upon a plan for the orderly wind down of such activities for a period not to exceed [*] months.

13.11 Other Remedies. Termination or expiration of this Agreement in its entirety for any reason or with respect to a Terminated Program shall not release either Party from any liability or obligation that already has accrued prior to such expiration or termination, nor affect the survival of any provision hereof to the extent it is expressly stated to survive such termination. Termination or expiration of this Agreement for any reason shall not constitute a waiver or release of, or otherwise be deemed to prejudice or adversely affect, any rights, remedies or claims, whether for damages or otherwise, that a Party may have hereunder or that may arise out of or in connection with such termination or expiration.

13.12 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Rigel and Lilly are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the licensee of such intellectual property under this Agreement shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a debtor Party under the U.S. Bankruptcy Code, the non-debtor Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any intellectual property licensed to such non-debtor Party and all embodiments of such intellectual property, which, if not already in the non-debtor Party's possession, shall be promptly delivered to the non-debtor Party (a) upon any such commencement of a bankruptcy proceeding upon the non-debtor Party's written request therefor, unless the debtor Party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under clause (a), following the rejection of this Agreement by the debtor Party upon written request therefor by the non-debtor Party.

13.13 Survival.

(a) **Surviving Provisions**. The following provisions shall survive any expiration or termination of this Agreement in its entirety: Article 1 (Definitions) (with respect to definitions used in other surviving provisions), Article 14 (Dispute Resolution), the first sentence of Section 3.5(c) (for such period of time as specified therein), Section 3.7 (Subcontractors) (with respect to surviving obligations under Article 12 (Confidentiality)), Section 8.2 (with respect to milestones achieved prior to such termination or expiration), Section 8.3(c) (Payment Procedure) (with respect to milestones achieved prior to such termination or expiration), 8.4(h) (Royalty Payments and Reports) (with respect to royalties that accrued prior to such termination or expiration), Section 8.5 (Taxes), Section 8.6 (Payment), Section 8.7 (Foreign Exchange), Section 8.8 (Late Payments), Section 8.9 (Financial Records; Audits) (for the period set forth therein), Section 9.1 (Ownership of Inventions), Section 9.7 (Personnel Obligations) (with respect to surviving obligations under Article 12 (Confidentiality)), Section 10.5 (No Other Representations or Warranties), Sections 11.1 (Indemnification by Rigel) through 11.4 (Limitation of Liability), Sections 12.1 (Confidentiality) through 12.2 (Authorized Disclosure) for the period set forth in Section 12.1, and Section 12.3 (Public Domain Information and Residual Knowledge) indefinitely, Section 13.8 (Effects of Termination for Any Reason), Section 13.10 (Effects of Termination Other than for Rigel Breach), this Section 13.13 (Survival), and Sections 15.1 (Entire Agreement; Amendment) through 15.13 (Counterparts).

(b) **Partial Termination**. If this Agreement is terminated only with respect to a Terminated Program and not terminated in its entirety, then following such termination, the provisions of this Agreement specified in Section 13.13(a) (Surviving Provisions) shall remain in effect with respect to the Terminated Program (to the extent such provisions would survive and apply in the event this Agreement expires or is terminated in its entirety), and all provisions not surviving in accordance with the foregoing shall terminate upon termination of this Agreement with respect to such Terminated Program and be of no further force and effect (and, for purposes of clarity, all provisions of this Agreement shall remain in effect with respect to any Program, Compound or Product that is not a within the Terminated Program).

ARTICLE 14

Dispute Resolution

14.1 Disputes. The Parties recognize that disputes as to certain matters may from time to time arise during the Term which relate to either Party's rights and/or obligations hereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to litigation. In the event of any disputes, controversies or differences which may arise between the Parties, out of or in relation to or in connection with this Agreement, including any alleged failure to perform, or breach of this Agreement, or any issue relating to the interpretation or application of this Agreement (each, a "**Dispute**"), then upon the written request of either Party, the Parties agree to meet and discuss in good faith a possible resolution thereof, which good faith efforts shall include at least one in-person meeting between senior officers of each Party. If the matter is not resolved within [*] days following the request for discussions, either Party may then invoke the provisions of Section 14.2 (Litigation; Equitable Relief). For the avoidance of doubt, the Parties acknowledge and agree that certain matters may be determined by a Party under Section 2.4(c) (Decision Making) via the applicable Committee without further escalation.

14.2 Litigation; Equitable Relief. The Federal courts located in [*] shall have exclusive jurisdiction over, and shall be the exclusive venue for resolution of, any Dispute not resolved through the informal Dispute-resolution procedures described above. Either Party may, at any time and without waiving any remedy under this Agreement, seek from any court having jurisdiction any temporary injunctive or provisional relief necessary to protect the rights or property of that Party. Any final judgment resolving a Dispute may be enforced by either Party in any court having appropriate jurisdiction.

14.3 Governing Law. Resolution of all disputes arising out of or related to this Agreement or the validity, construction, interpretation, enforcement, breach, performance, application or termination of this Agreement and any remedies relating thereto, shall be governed by and construed under the substantive laws of [*], excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

14.4 Excluded Claims. Notwithstanding anything to the contrary in this Agreement, any dispute, controversy or claim relating to the intellectual property rights of either Party, including but not limited to the inventorship, scope, validity, enforceability or infringement of any Patents related to the Compounds, Products or this Agreement, trade secret misappropriation, misuse of confidential information, copyright disputes or trademark disputes, or shall be submitted to a court of competent jurisdiction.

ARTICLE 15

Miscellaneous

15.1 Entire Agreement; Amendment. This Agreement, including the Exhibits hereto, sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto with respect to the subject matter hereof and supersedes, as of the Effective Date, all prior agreements and understandings between the Parties with respect to the subject matter hereof, including the Existing Confidentiality Agreement. The foregoing shall not be interpreted as a waiver of any remedies available to either Party as a result of any breach, prior to the Effective Date, by the other Party of its obligations pursuant the Existing Confidentiality Agreement. Except for the Existing Confidentiality Agreement, there are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties that pertain to the subject matter of this Agreement other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

15.2 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by force majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting force majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, force majeure shall mean conditions beyond the control of the Parties, including an act of God, war, civil commotion, terrorist act, labor strike or other lock-out, epidemic or pandemic (excluding in each case, COVID-19), destruction of production facilities or materials by fire, earthquake, storm or like catastrophe. Notwithstanding anything to the contrary in this Section 15.2 (Force Majeure), a Party shall not be excused from making payments owed hereunder because of a force majeure affecting such Party. In the event a Party is subject to an event of *force majeure* which substantially interferes with the performance of its obligations hereunder and which extends for a period of [*] consecutive days or more, the other Party may elect to terminate this Agreement in accordance with Article 13 upon notice to the Party affected by such event. Any such termination shall be subject to [*] as well as the consequences of termination set forth in [*], in each case if applicable based on the grounds for such termination. In the event of a *force majeure* that prevents a Party from performing its obligations for more than [*] days, the other Party shall be entitled to perform the obligations affected by such inability to perform if it is practically able to do so on a commercially reasonable basis and the costs of such performance shall be allocated between the Parties as if such performance had been accomplished under the Agreement by the Party affected by the event of *force majeure* as originally contemplated.

15.3 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement, and shall be addressed to the appropriate Party at the address specified below or such other address as may be specified by such Party in writing in accordance with this Section 15.3 (Notices), and shall be deemed to have been given for all purposes (a) when received, if hand-delivered or sent by a reputable overnight delivery service, or (b) five (5) Business Days after mailing, if mailed by first class certified or registered mail, postage prepaid, return receipt requested.

If to Rigel: Rigel Pharmaceuticals, Inc.
1180 Veterans Boulevard
South San Francisco, CA 94080
Attention: Chief Executive Officer

With a copy to: Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304
Attention: Lowell Segal

If to Lilly: Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285
Attn: Vice President, R&D Business Development
Lilly Research Laboratories
Fax: (317) 651-3051

With a copy to: Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285
Attn: General Counsel
Fax: (317) 433-3000

15.4 No Strict Construction; Headings. This Agreement has been prepared jointly and shall not be strictly construed against either Party. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article or Section.

15.5 Interpretation. Unless context otherwise clearly requires, whenever used in this Agreement: (a) the terms "includes," "including," "include" and derivative forms of them shall be deemed followed by the phrase "without limitation" (regardless of whether it is actually written there (and drawing no implication from the actual inclusion of such phrase in some instances after such terms but not others)), (b) the phrases "non-refundable" or "non-creditable" shall not prohibit, limit or restrict either Party's right to obtain damages in connection with a breach of this Agreement.

15.6 Assignment. Except as expressly permitted under this Agreement, neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other, except that: (a) a Party may make such an assignment without the other Party's consent to its Affiliates or to a successor to all or substantially all of the business of such Party, whether in a merger, sale of stock, sale of assets or other transaction, provided that any permitted successor or assignee of rights and/or obligations hereunder shall, in a writing to the other Party, expressly assume performance of such rights and/or obligations (and in any event, any Party assigning this Agreement to an Affiliate shall remain bound by the terms and conditions hereof); and (b) Rigel may, without Lilly's consent, assign its right to receive milestone payments and royalties under this Agreement to a Third Party in connection with a payment factoring transaction and, in connection with such assignment, may disclose to the assignee any milestone and royalty reports received under Section 8.2 (Development and Regulatory Milestone Payments), Section 8.3 (Commercial Milestone Payments) or Section 8.4(h) (Royalty Payments and Reports) and the results of any audit conducted under Section 8.9 (Financial Records; Audits), provided that such assignee agrees in writing to be bound by non-disclosure and non-use obligations with respect to such information that are consistent with Article 12 (Confidentiality). Any assignment or attempted assignment by either Party in violation of the terms of this Section 15.6 (Assignment) shall be null, void and of no legal effect.

15.7 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance and shall remain primarily responsible for the performance of its Affiliates. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

15.8 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

15.9 Compliance with Applicable Law. Each Party shall comply with all Applicable Laws in the course of performing its obligations or exercising its rights pursuant to this Agreement.

15.10 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by an arbitrator or by a court of competent jurisdiction from which no appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized. In the event a Party seeks to avoid a provision of this Agreement by asserting that such provision is invalid, illegal or otherwise unenforceable, the other Party shall have the right to terminate this Agreement upon sixty (60) days' prior written notice, unless such assertion is eliminated and its effect is cured within such sixty (60) day period. Any such termination in accordance with this Section 15.10 (Severability) with respect to as assertion by a Party shall be deemed a termination for breach by such Party pursuant to Section 13.2 (Termination by Either Party for Breach).

15.11 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the future enforcement of its rights under this Agreement, except with respect to an express written and signed waiver relating to a particular matter for a particular period of time.

15.12 Independent Contractors. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give either Party the power or authority to act for, bind, or commit the other Party in any way. Nothing herein shall be construed to create the relationship of partners, principal and agent, or joint-venture partners between the Parties.

15.13 Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterpart signature pages delivered via facsimile or email in PDF or similar electronic format shall have the same binding effect as original signatures.

15.14 HSR Filings.

(a) If required by Applicable Laws, promptly after the execution of this Agreement, both Parties shall file the appropriate notices with respect to the transactions contemplated hereby as promptly as reasonably practicable with the United States Federal Trade Commission ("**FTC**") and Department of Justice ("**DOJ**") under the **HSR Act**. Each of the Parties shall promptly supply the other with any information that may reasonably be required in order to effectuate the filings under the HSR Act. Each of the Parties shall notify the other promptly upon receipt of any notice from the FTC or DOJ in connection with any filing made under the HSR Act and of any request for amendments or supplements to any such filings or of any communications with, and any other inquiries or requests for additional information from, the FTC and DOJ. Each Party shall comply promptly, in accordance with advice received from counsel, as appropriate, with any such inquiry or request, provided, however, that neither Party shall be required to consent to the divestiture or other disposition of any of its assets or the assets of its Affiliates or to consent to any other structural or conduct remedy, and each Party and its Affiliates shall have no obligation to contest, administratively or in court, any ruling, order or other action of the FTC or DOJ or any Third Party with respect to the transactions contemplated by this Agreement. Each Party shall be responsible for paying its own costs and expenses (including legal and consultants' fees) incurred in connection with obtaining clearance of the transactions contemplated hereby from the FTC and the DOJ, except that Lilly will pay the filing fees incurred by both Parties in connection with the filings required pursuant to the HSR Act. In the event the Parties determine that HSR filings are required, the Effective Date shall not be deemed to have occurred until the HSR Clearance Date. As used herein, the "**HSR Clearance Date**" means the earlier of (i) the date on which the FTC or DOJ shall notify the Parties of early termination of the waiting period under the HSR Act or (ii) the date on which the applicable waiting period under the HSR Act expires; provided, however, that if the FTC or DOJ commences any investigation by means of a second request or otherwise, HSR Clearance Date means the date on which any investigation opened by the FTC or DOJ has been terminated, without action to prevent the Parties from implementing the transactions contemplated by this Agreement with respect to the United States. Notwithstanding any other provisions of this Agreement to the contrary, (a) this Agreement is binding upon the Parties as of the Execution Date to the extent permitted by the HSR Act, but the provisions of Article 2 (Governance) through Article 9 (Intellectual Property) (other than Section 9.1 (Ownership of Inventions)) shall not take effect until the Effective Date and (b) either Party may terminate this Agreement effective upon notice to the other Party if the HSR Clearance Date has not occurred on or before the date that is one hundred twenty (120) days after the Execution Date.

(b) **Cooperation**. Each of the Parties will use reasonable best efforts to obtain as promptly as practicable expiration of any waiting period as applicable under the HSR Act, and shall, without limitation: (i) promptly notify the other of, and if in writing, furnish the other with copies of (or, in the case of oral communications, advise the other of) any material communications from or with any governmental authority, including the FTC and the DOJ, (ii) cooperate in all respects and consult with each other in connection with any filing or submission and in connection with any investigation or other inquiry, (iii) permit the other to review and discuss in advance, and consider in good faith the view of the other in connection with, any proposed written or oral communication with any governmental authority, (iv) not participate in any substantive meeting or have any substantive communication with any governmental authority unless it has given the other party a reasonable opportunity to consult with it in advance and, to the extent permitted by such governmental authority, gives the other the opportunity to attend and participate therein, (v) furnish the other party's outside legal counsel with copies of all supplemental filings and substantive communications between it and any such governmental authority with respect to this Agreement; *provided* that any materials subject to this Section 15.14(b) (Cooperation) may be restricted to outside counsel and may be redacted or withheld as necessary (A) to comply with contractual arrangements, (B) to address good faith legal privilege or confidentiality concerns and (C) to comply with Applicable Laws, (vi) furnish the other party's outside legal counsel with such necessary information and reasonable assistance as the other party's outside legal counsel may reasonably request in connection with its preparation of necessary submissions of information to any such governmental authority, and (vii) use reasonable best efforts to respond as soon as practicable to reasonable requests from the other party hereto.

(c) **Conduct Pending HSR Clearance Date**. If the Parties determine that HSR filings are required, between the date of execution of this Agreement and the earlier of the Effective Date or the date of termination, each Party shall conduct its business with respect to the intellectual property rights granted hereunder in the ordinary course, and it will refrain from taking any action or omitting to take any action that would have the effect of restricting or impairing the rights to be granted to either Party hereunder or preventing either Party's ability to perform its obligations under this Agreement.

15.15 Compliance with Party Specific Regulations. The Parties agree to cooperate with each other as may reasonably be required to ensure that each is able to fully meet its obligations with respect to the Party Specific Regulations applicable to it. Neither Party shall be obligated to pursue any course of conduct that would result in such Party being in material breach of any Party Specific Regulation applicable to it. All Party Specific Regulations are binding only in accordance with their terms and only upon the Party to which they relate.

15.16 Compliance with Internal Compliance Codes. All Internal Compliance Codes shall apply only to the Party to which they relate. The Parties agree to cooperate with each other to ensure that each Party is able to comply with the substance of its respective Internal Compliance Codes and, to the extent practicable, to operate in a manner consist with its usual compliance-related processes.

[Signature Page to Follow]

In Witness Whereof, the Parties have executed this Agreement by their duly authorized officers as of the Execution Date.

Rigel Pharmaceuticals, Inc.	**Eli Lilly and Company**
By: /s/ Raul Rodriguez	By: /s/ David A. Ricks
Name: Raul Rodriguez	Name: David A. Ricks
Title: President & Chief Executive Officer	Title: Chairman and Chief Executive Officer, Eli Lilly and Company

CNS Penetrant Criteria
Exhibit 1.14

[*]

Initial Non-CNS Penetrant Development Plan
Exhibit 1.69

See Initial R552 Development Plan in **Exhibit 1.89 (Initial R552 Development Plan)**

R552
Exhibit 1.85

[*]

Initial R552 Development Plan
Exhibit 1.89

[*]

Rigel-Only R552 Development Activities
Exhibit 1.96

- **[*]**

Rigel Patents
Exhibit 1.97

SERIAL NUMBER	FILING DATE	COUNTRY	PUBLICATION NUMBER	PATENT NUMBER
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RIP1 Inhibitor Criteria
Exhibit 1.100

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Exhibit 3.6 – Part A

Eli Lilly and Company Good Research Practices

Good Research Practice Expectations for External Partners

Eli Lilly and Company strives to provide innovative medicines, information, and exceptional customer service enabling people to live longer, healthier, and more active lives. This service cannot be achieved unless we conduct each aspect of our business with planning, innovation and an unsurpassed focus on Quality. Lilly has compiled a set of shared research Quality Standards defining how our research laboratories conduct good science. We call these Good Research Practices (GRPs), and they enable us to consistently deliver a degree of excellence, whether it is data, methodology, etc. In conducting business with Lilly, our expectation is that you conduct good science with a focus on Quality. The Lilly GRPs are defined below:

1.0 Governance

1.1 Facilities Senior management must ensure that the facility is Suitable for the intended use, is adequately protected for the work that is to be performed, and that risk to continuation of the business has been identified and minimized in order to restore normal business operation.

1.2 Adherence Senior management must also establish processes to enable adherence to GRPs and assure that monitoring of adherence to the GRPs occurs.

2.0 GRP Principles

2.1 Accountability Scientists, supervision, management, and support personnel are all owners of and accountable for Good Research Practices.

2.2 Qualifications Individuals must have documented training, education, and/or experience to perform the task required by their current roles.

2.3 Test Materials Test materials must be identified, characterized, and stored properly to ensure that they are suitable for the intended research purpose.

2.4 Equipment Laboratory equipment used to generate research data must be maintained, verified, and calibrated.

2.5 Computer Systems Users of the computer systems which are used to generate, manage, store or analyze data must provide assurance that the systems are working as intended.

2.6 In Vitro Assays The optimization, validation, and data analysis of *in vitro* assays must be performed in a manner that follows scientific and statistical principles, including Design and Optimization, Validation, Analysis, and Analysis Comparison and Correlation.

2.7 In Vivo Assays The optimization, validation, and data analysis of *in vivo* assays must be performed in a manner that follows scientific and statistical principles, including Design and Optimization, Validation, and Analysis.

2.8 Documentation All experimental procedures, observations, data, and results must be promptly and accurately recorded or referenced in laboratory notebooks and/or data binders to ensure data integrity.

2.9 Record Retention All notebooks and related research materials must be securely maintained and archived.

2.10 Research Reports Research reports must be prepared according to appropriate quality standards and reviewed to ensure integrity.

Exhibit 3.6 – Part B

Lilly Principles for Animal Care and Use for Third Party Organizations

Eli Lilly and Company recognizes that we have an ethical and scientific obligation to ensure the appropriate care and treatment of animals used in research. We expect all organizations with which we contract for animal research or supply to comply with all applicable country and local regulations dealing with the appropriate use and care for animals. We expect third party organizations to apply the Lilly Principles for animal care and use.

Lilly also actively encourages animal research and animal supply companies, both inside and outside the United States, to obtain and maintain accreditation from AAALAC International. These principles are internationally recognized standards for appropriate animal care and use. Through active engagement, Lilly is helping to raise the standards of animal care and use in countries that have not had such standards or enforced them. Lilly is requesting assurance that all third party suppliers of animal use activities or animals read and comply with these requirements.

Regulations - Lilly expects all individuals and organizations with which Lilly contracts for animal use activities (e.g. research, development, quality control, manufacturing), or the supply of animals to be used by the company, to do the following for each location at where animals are used or held:

- comply with all applicable country and local laws, regulations, and standards regarding the care and use of animals
- comply with the Lilly animal care and use principles stated below, even if they impose requirements beyond the applicable local requirements
- establish a mechanism to assess compliance with such laws, regulations, standards, and the Lilly principles stated below
- primates must be obtained by reputable suppliers in compliance with all local, federal, and international regulations

Animal Care – All animals must be healthy. Living conditions must be in a natural or appropriate setting for the animal species and contribute to their health and well-being. Personnel who care for animals or conduct animal studies must be appropriately qualified regarding the proper care and use of animals in research.

Studies – The following widely recognized principles of animal care and use:

- due consideration of the relevance of the study to human or animal health and the advancement of scientific knowledge
- selecting only animals appropriate for that study with careful consideration with nonhuman primate use
- animals should be colony-bred and not wild-caught
- using only the minimum number of animals required to obtain valid results
- clearly define the humane and/or study endpoints
- avoiding or minimizing discomfort and distress to the animals
- using alternative methods instead of live animals when appropriate, adoption of the 3R’s of replace, reduce, refine

Reporting – any animal welfare issue, concerns that may affect the welfare of animals on study or the validity of the testing being conducted, or events representing deviations from animal welfare regulatory guidance must be reported to Lilly within 3 business days by email (animal_welfare_global_external@lilly.com) or by calling the Lilly Ethics and Compliance Hotline (800-815-2481). This would include, but is not limited to, animal illness, disease outbreak, or any significant (i.e. reportable to a government authority) non-compliance with any country or local animal welfare laws, regulations, or standards, or the Lilly principles stated above.

Audits/monitoring – Lilly has the discretion to periodically assess any animal(s) used on behalf of Lilly regarding animal use, care, and welfare in accordance with the auditing/monitoring provisions stated in the contract.

Form of Press Release
Exhibit 12.4(b)

February XX, 2021

For Release: Draft D

Refer to: Mark Taylor; mark.taylor@lilly.com; (317) 276-5795 (Lilly Media)

Kevin Hern; hern_kevin_r@lilly.com; (317) 277-1838 (Lilly Investors)

Rigel Investor Contact - (650) 624-1232; ir@rigel.com

Rigel Media Contact – (508) 314-3157; emily.correia@syneoshealth.com

Lilly and Rigel Enter Strategic Collaboration to Develop RIPK1 Inhibitors for the Potential Treatment of Immunological and Neurodegenerative Diseases

- *Lilly will obtain an exclusive worldwide license to Rigel's RIPK1 inhibitors, including Rigel's Phase 2-ready molecule R552, in all indications*
- *Rigel will receive an upfront cash payment of $125 million, with the potential for up to an additional $835 million in future development, regulatory, and commercial milestones*

INDIANAPOLIS and SOUTH SAN FRANCISCO — Eli Lilly and Company (NYSE: LLY) and Rigel Pharmaceuticals, Inc. (Nasdaq: RIGL) today announced a global exclusive license agreement and strategic collaboration to co-develop and commercialize Rigel's R552, a receptor-interacting serine/threonine-protein kinase 1 (RIPK1) inhibitor, for all indications including autoimmune and inflammatory diseases. Pursuant to the collaboration, Lilly will also lead all clinical development of brain penetrating RIPK1 inhibitors in central nervous system (CNS) diseases.

Rigel's lead RIPK1 inhibitor, R552, has completed Phase 1 clinical trials and will begin Phase 2 clinical trials in 2021 as part of the collaboration. Rigel also has ongoing pre-clinical activities with its lead CNS penetrant RIPK1 inhibitor candidates.

Under the terms of the agreement, Lilly will pay an upfront cash payment to Rigel of $125 million. Rigel may also be eligible to receive up to $835 million in potential development, regulatory, and commercial milestone payments, as well as tiered royalties ranging from the mid-single digit to high-teens that will vary depending upon Rigel's clinical development investment. Lilly and Rigel will co-develop R552 at specified contribution levels. Lilly will be responsible for all costs of global commercialization for R552, and Rigel will have the right to co-commercialize R552 in the U.S. Lilly will be solely responsible for all clinical development and commercialization of brain penetrating RIPK1 inhibitors in CNS indications.

RIPK1 is a critical signaling protein implicated in a broad range of key inflammatory cellular processes including necroptosis, a type of regulated cell death, and cytokine production. In necroptosis, cells rupture leading to the dispersion of cell contents which can trigger an immune response and enhance inflammation. Inhibiting RIPK1 may be a new approach to treating various autoimmune, inflammatory, and neurodegenerative disorders. In pre-clinical studies, Rigel's R552 demonstrated prevention of joint and skin inflammation in a RIPK1-mediated murine model of inflammation and tissue damage.

"At Lilly, our immunology strategy is focused on the pursuit of novel targets that have the potential to develop into best-in-class medicines for patients with autoimmune conditions," said Ajay Nirula, M.D., Ph.D., vice president of immunology at Lilly. "RIPK1 inhibitors are a promising approach, and R552 is an exciting addition to our immunology pipeline. We look forward to working with Rigel to advance its clinical development."

“We are very excited to form this strategic partnership with Lilly. This collaboration will provide significant resources and expertise to support a broad investigation in multiple disease indications with our RIPK1 inhibitors,” said Raul Rodriguez, Rigel’s president and CEO. “With Lilly’s extensive knowledge in immune and CNS diseases, they are our ideal partner to ensure the clinical and commercial success of our RIPK1 inhibitor program.”

This transaction is subject to customary closing conditions, including clearance under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976. This transaction will be reflected in Lilly’s reported results and financial guidance according to Generally Accepted Accounting Principles (GAAP). There will be no change to Lilly’s 2021 non-GAAP earnings per share guidance as a result of this transaction.

About Rigel
Rigel Pharmaceuticals, Inc., is a biotechnology company dedicated to discovering, developing and providing novel small molecule drugs that significantly improve the lives of patients with hematologic disorders, cancer and rare immune diseases. Rigel's pioneering research focuses on signaling pathways that are critical to disease mechanisms. To learn more about Rigel, please visit us at www.rigel.com.

About Eli Lilly and Company
Lilly is a global healthcare leader that unites caring with discovery to create medicines that make life better for people around the world. We were founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today we remain true to that mission in all our work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteerism. To learn more about Lilly, please visit us at www.lilly.com. C-LLY

Rigel Forward Looking Statements
This release contains forward-looking statements relating to, among other things, Rigel's partnership with Lilly; Rigel's ability to achieve development, regulatory and commercial milestone payments under its agreement with Lilly; and the potential indications that inhibiting RIPK1 may affect. Any statements contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Words such as "potential," "may," "expects" and similar expressions are intended to identify these forward-looking statements. These forward-looking statements are based on Rigel's current expectations and inherently involve significant risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in such forward looking statements as a result of these risks and uncertainties, which include, without limitation, risks and uncertainties associated with the commercialization and marketing of TAVALISSE; risks that the FDA, EMA or other regulatory authorities may make adverse decisions regarding fostamatinib; risks that TAVALISSE clinical trials may not be predictive of real-world results or of results in subsequent clinical trials; risks that TAVALISSE may have unintended side effects, adverse reactions or incidents of misuses; the availability of resources to develop Rigel's product candidates; market competition; as well as other risks detailed from time to time in Rigel's reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. In addition, the COVID-19 pandemic may result in further delays in Rigel's studies, trials and sales, or impact Rigel's ability to obtain supply of TAVALISSE. Rigel does not undertake any obligation to update forward-looking statements and expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein.

Lilly Forward-Looking Statement

This press release contains forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995) about the benefits of a license and collaboration agreement between Lilly and Rigel, Lilly's development strategy, and potential payments to Rigel in connection with the license and collaboration, and reflects Lilly's current beliefs and expectations. However, as with any such undertaking, there are substantial risks and uncertainties in the process of drug research, development, and commercialization. Among other things, there can be no guarantee that Lilly will realize the expected benefits of the license and collaboration, that the license and collaboration will yield commercially successful products, or that Lilly will execute its strategy as expected. For a further discussion of these and other risks and uncertainties that could cause actual results to differ from Lilly's expectations, please see Lilly's most recent Forms 10-K and 10-Q filed with the U.S. Securities and Exchange Commission. Lilly undertakes no duty to update forward-looking statements.

# # #

Rigel Pharmaceuticals, Inc.

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

Each member of the Board of Directors (the "***Board***") of Rigel Pharmaceuticals, Inc. (the "***Company***") who is not also serving as an employee of the Company or any of its subsidiaries (each such member, an "***Eligible Director***") will receive the compensation described in this Non-Employee Director Compensation Policy (this "***Policy***"). An Eligible Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash is to be paid or equity awards are to be granted, as the case may be. This Policy may be amended at any time in the sole discretion of the Board, or by the Compensation Committee of the Board at the recommendation of the Board.

Annual Cash Compensation

The annual cash compensation amount set forth below is payable to Eligible Directors in equal quarterly installments, payable in arrears on the last day of each fiscal quarter in which the service occurred. If an Eligible Director joins the Board or a committee of the Board at a time other than effective as of the first day of a fiscal quarter, each annual retainer set forth below will be pro-rated based on days served in the applicable fiscal year, with the pro-rated amount paid for the first fiscal quarter in which the Eligible Director provides the service, and regular full quarterly payments to be paid thereafter. All annual cash fees are vested upon payment.

1. Annual Board Service Retainer:
    a. All Eligible Directors: $50,000
    b. Non-executive chairperson of the Board: $90,000 (inclusive of Annual Board Service Retainer)
2. Annual Committee Member Service Retainer:
    a. Member of the Audit Committee: $12,000
    b. Member of the Compensation Committee: $10,000
    c. Member of the Nominating and Corporate Governance Committee: $10,000
    d. Member of the Finance Committee: $5,000
    e. Member of the Scientific and Clinical Trial Advisory Committee: $10,000
3. Annual Committee Chair Service Retainer (inclusive of Committee Member Service Retainer):
    a. Chairperson of the Audit Committee: $22,000
    b. Chairperson of the Compensation Committee: $15,000
    c. Chairperson of the Nominating and Corporate Governance Committee: $15,000
    d. Chairperson of the Finance Committee: $10,000
    e. Chairperson of the Scientific and Clinical Trial Advisory Committee: $15,000

The Company will also reimburse each of the Eligible Directors for his or her travel expenses incurred in connection with his or her attendance at Board and committee meetings. Travel expenses include reasonable air and ground transportation, meals, and hotel. Eligible expenses incurred must be itemized and submitted for payment with receipts attached.

Equity Compensation

The equity compensation set forth below will be granted under the Company's 2018 Equity Incentive Plan (as amended, the "***Plan***"), subject to the approval of the Plan by the Company's stockholders. All stock options granted under this Policy will be non-statutory stock options, with an exercise price per share equal to 100% of the Fair Market Value (as defined in the Plan) of the underlying common stock on the date of grant, and a term of 10 years from the date of grant (subject to earlier termination in connection with a termination of service as provided in the Plan).

1. Initial Grant: Without any further action of the Board, each person who is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director by the Board or stockholders of the Company, be granted an Initial Grant as an Option to purchase eighty thousand (80,000) shares of Common Stock on the terms and conditions set forth herein. Notwithstanding the foregoing, the Initial Grant may be in the form of a Restricted Stock Unit Award that covers a number of shares that has a value equal to an Option to purchase eighty thousand (80,000) shares of Common Stock (calculating the value of each such type of Stock Award based on the grant date fair value of such Stock Award for financial reporting purposes). Each Stock Award that is an option to purchase granted as an Initial Grant shall vest in accordance with the schedule set forth below that results in a shorter period of full vesting: (i) 1/36th of the shares of Common Stock subject to the Initial Grant shall vest each month after the date of grant over a period of three (3) years; or (ii) the Initial Grant shall vest in equal monthly installments after the date of grant over a period commencing on the date that the Non-Employee Director is appointed for the first time to be a Non-Employee Director by the Board and ending on the date of the Annual Meeting at which the Non-Employee Director is first scheduled to be considered for election to be a Non-Employee Director by the stockholders of the Company. Restricted Stock Unit Awards granted as an Initial Grant shall vest in three equal sums on the date prior to the next three Annual Meetings of the Company, respectively, after appointment to the Board.

2. Annual Grant: Without any further action of the Board, a Non-Employee Director shall be granted an Annual Grant as follows: On the day following each Annual Meeting commencing with the Annual Meeting in 2021, each person who is then a Non-Employee Director automatically shall be granted an Annual Grant as (i) an Option to purchase thirty thousand (30,000) shares of Common Stock and (ii) twenty-five thousand (25,000) Restricted Stock Unit Awards. If the person has not been serving as a Non-Employee Director for the entire period since the preceding Annual Meeting, then the number of shares subject to the Annual Grant shall be reduced pro rata for each full quarter prior to the date of grant during which such person did not serve as a Non-Employee Director. Each Annual Grant shall vest such that 1/12th of the shares of Common Stock subject to such Annual Grant shall vest each month after the date of grant over a period of one (1) year and the Restricted Stock Unit Awards shall vest on the date prior to the Company's next Annual Meeting.

Compensation Limits Set in Equity Plan

If, with respect to an Annual Period (as defined in the Plan), the aggregate value of all compensation granted or paid, as applicable, to any individual for service as a Non-Employee Director exceeds the applicable limit on compensation paid to Non-Employee Directors contained in the Plan, then the compensation paid to such individual under this Policy shall be reduced in accordance with an independent compensation advisor.

Approved by the Compensation Committee of the Board of Directors: March 9, 2021
Ratified by the Board of Directors: April 5, 2021
Effective: March 9, 2021

Exhibit 31.1

CERTIFICATIONS

I, Raul R. Rodriguez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rigel Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 5, 2021

/s/ RAUL R. RODRIGUEZ
Raul R. Rodriguez
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Dean L. Schorno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rigel Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 5, 2021

/s/ DEAN L. SCHORNO
Dean L. Schorno
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Raul R. Rodriguez, Chief Executive Officer of Rigel Pharmaceuticals, Inc. (the "Company"), and Dean L. Schorno, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

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

In Witness Whereof, the undersigned have set their hands hereto as of May 5, 2021.

/s/ RAUL R. RODRIGUEZ	/s/ DEAN L. SCHORNO
Raul R. Rodriguez	Dean L. Schorno
Chief Executive Officer	Chief Financial Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Rigel Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.