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

FORM 10-Q

☒ **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 No. 001-39801

XOMA Corporation
(Exact name of registrant as specified in its charter)

Delaware	**52-2154066**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2200 Powell Street, Suite 310 Emeryville, California	**94608**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (510) 204-7200

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

Title of each class:	**Trading symbol(s):**	**Name of each exchange on which registered:**
Common Stock, $0.0075 par value	XOMA	The Nasdaq Global Market
8.625% Series A Cumulative Perpetual Preferred Stock, par value $0.05	XOMAP	The Nasdaq Global Market
Depositary Shares (each representing 1/1000th interest in a share of 8.375% Series B Cumulative Perpetual Preferred Stock, par value $0.05)	XOMAO	The Nasdaq Global Market

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, 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 May 3, 2021, the registrant had 11,269,593 shares of common stock, $0.0075 par value per share, outstanding.

XOMA CORPORATION

FORM 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XOMA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2021 (unaudited)	December 31, 2020 (Note 1)
ASSETS		
Current assets:		
Cash	$ 67,808	$ 84,222
Restricted cash	2,142	1,611
Trade and other receivables, net	80	263
Income tax receivable	—	1,526
Prepaid expenses and other current assets	218	443
Total current assets	70,248	88,065
Long-term restricted cash	—	531
Property and equipment, net	19	21
Operating lease right-of-use assets	320	359
Long-term royalty receivables	48,075	34,575
Equity securities	1,021	1,693
Other assets	210	41
Total assets	$ 119,893	$ 125,285
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 671	$ 456
Accrued and other liabilities	1,376	642
Contingent consideration under royalty purchase agreements	75	75
Operating lease liabilities	183	179
Unearned revenue recognized under units-of-revenue method	1,482	1,452
Contingent liabilities	1,410	1,410
Current portion of long-term debt	7,201	8,088
Preferred stock dividend accrual	707	—
Total current liabilities	13,105	12,302
Unearned revenue recognized under units-of-revenue method – long-term	13,130	13,516
Long-term debt	11,654	12,764
Long-term operating lease liabilities	182	229
Other liabilities – long-term	102	50
Total liabilities	38,173	38,861
Commitments and Contingencies (Note 10)		
Stockholders' equity:		
Preferred Stock, $0.05 par value, 1,000,000 shares authorized:		
8.625% Series A cumulative, perpetual preferred stock, 984,000 shares issued and outstanding at March 31, 2021 and December 31, 2020	49	49
Convertible preferred stock, 5,003 shares issued and outstanding at March 31, 2021 and December 31, 2020	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 11,259,926 and 11,228,792 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	84	84
Additional paid-in capital	1,270,046	1,267,377
Accumulated deficit	(1,188,459)	(1,181,086)
Total stockholders' equity	81,720	86,424
Total liabilities and stockholders' equity	$ 119,893	$ 125,285

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

(Note 1) The consolidated balance sheet as of December 31, 2020, has been derived from the audited consolidated financial statements as of that date included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

XOMA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2021	**2020**
Revenues:		
Revenue from contracts with customers	$ 19	$ 500
Revenue recognized under units-of-revenue method	356	304
Total revenues	375	804
Operating expenses:		
Research and development	61	62
General and administrative	6,741	6,358
Total operating expenses	6,802	6,420
Loss from operations	(6,427)	(5,616)
Other income (expense), net:		
Interest expense	(289)	(542)
Other expense, net	(657)	(126)
Loss before income tax	(7,373)	(6,284)
Income tax benefit	—	1,526
Net loss and comprehensive loss	$ (7,373)	$ (4,758)
Less: Series A accumulated dividends	(530)	—
Net loss available to common stockholders, basic and diluted	$ (7,903)	$ (4,758)
Basic and diluted net loss per share available to common stockholders	$ (0.70)	$ (0.49)
Weighted average shares used in computing basic and diluted net loss per share available to common stockholders	11,240	9,761

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

XOMA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Series A Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2020	984	$ 49	5	$ —	11,229	$ 84	$ 1,267,377	$ (1,181,086)	$ 86,424
Exercise of stock options	—	—	—	—	24	—	388	—	388
Exercise of common stock warrants	—	—	—	—	5		—	—	—
Issuance of common stock related to 401(k) contribution	—	—	—	—	2	—	90	—	90
Stock-based compensation expense	—	—	—	—	—	—	2,898	—	2,898
Preferred stock dividends	—	—	—	—	—	—	(707)	—	(707)
Net loss and comprehensive loss	—	—	—	—	—	—	—	(7,373)	(7,373)
Balance, March 31, 2021	984	$ 49	5	$ —	11,260	$ 84	$ 1,270,046	$ (1,188,459)	$ 81,720

	Series A Preferred Stock		Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2019	—	$ —	6	$ —	9,759	$ 73	$ 1,238,299	$ (1,194,384)	$ 43,988
Issuance of common stock related to 401(k) contribution	—	—	—	—	3	—	88	—	88
Stock-based compensation expense	—	—	—	—	—	—	1,788	—	1,788
Disgorgement of stockholder's short-swing profits	—	—	—	—	—	—	13	—	13
Net loss and comprehensive loss	—	—	—	—	—	—	—	(4,758)	(4,758)
Balance, March 31, 2020	—	$ —	6	$ —	9,762	$ 73	$ 1,240,188	$ (1,199,142)	$ 41,119

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

XOMA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (7,373)	$ (4,758)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,898	1,788
Common stock contribution to 401(k)	90	88
Depreciation and amortization	2	6
Amortization of debt issuance costs, debt discount and final payment on debt	127	191
Provision for bad debt	—	1,409
Non-cash lease expense	39	37
Change in fair value of equity securities	672	273
Changes in assets and liabilities:		
Trade and other receivables, net	183	212
Income tax receivable	1,526	(1,526)
Prepaid expenses and other assets	225	147
Accounts payable and accrued liabilities	1,046	38
Operating lease liabilities	(44)	(39)
Unearned revenue recognized under units-of-revenue method	(356)	(304)
Other liabilities	51	158
Net cash used in operating activities	(914)	(2,280)
Cash flows from investing activities:		
Payments related to purchase of royalty rights	(13,500)	—
Net cash used in investing activities	(13,500)	—
Cash flows from financing activities:		
Proceeds from exercise of options	508	—
Payment of preferred and common stock issuance costs for current and prior year	(264)	(166)
Principal payments – debt	(2,125)	(938)
Principal payments – finance lease	—	(5)
Proceeds from disgorgement of stockholder's short-swing profits	—	13
Taxes paid related to net share settlement of equity awards	(119)	—
Net cash used in financing activities	(2,000)	(1,096)
Net decrease in cash and restricted cash	(16,414)	(3,376)
Cash and restricted cash at the beginning of the period	86,364	56,688
Cash and restricted cash at the end of the period	$ 69,950	$ 53,312
Supplemental Cash Flow Information:		
Cash paid for interest	$ 120	$ 199
Non-cash investing and financing activities:		
Preferred stock dividend accrual	$ 707	$ —
Accrued financing costs related to issuance of common stock	$ 87	$ —
Accrued financing costs related to issuance of preferred stock	$ 81	$ —

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

XOMA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business

XOMA Corporation (referred to as "XOMA" or the "Company"), a Delaware corporation, is a biotech royalty aggregator with a sizable portfolio of economic rights to future potential milestone and royalty payments associated with partnered pre-commercial therapeutic candidates. The Company's portfolio was built through licensing its proprietary products and platforms from its legacy discovery and development business, combined with acquisitions of rights to future milestones and royalties that the Company has made since the royalty aggregator business model was implemented in 2017. The Company's drug royalty aggregator business is focused on early to mid-stage clinical assets primarily in Phase 1 and 2 with blockbuster potential licensed to large-cap partners. The Company expects that most of its future revenue will be based on payments the Company may receive for milestones and royalties related to these programs.

Liquidity and Financial Condition

The Company has incurred significant operating losses and negative cash flows from operations since its inception. As of March 31, 2021, the Company had unrestricted and restricted cash of $70.0 million. The restricted cash balance may only be used to pay dividends on the 8.625% Series A cumulative, perpetual preferred stock ("Series A Preferred Stock") issued in December 2020. On April 9, 2021, the Company closed a public offering of 1,600,000 depositary shares, each representing a $1/1000^{th}$ fractional interest in a share of the Company's 8.375% Series B cumulative, perpetual preferred stock ("Series B Preferred Stock") for total gross proceeds of $40.0 million (Note 14). Based on the Company's current cash balance and its ability to control discretionary spending, such as royalty acquisitions, the Company has evaluated and concluded its financial condition is sufficient to fund its planned operations and commitments and contractual obligations for a period of at least one year following the date that these condensed consolidated financial statements are issued.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions among consolidated entities were eliminated upon consolidation. The unaudited condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles ("GAAP") in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As permitted under those rules certain footnotes or other financial information can be condensed or omitted. These financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the U.S. Securities and Exchange Commission ("SEC") on March 10, 2021.

These financial statements have been prepared on the same basis as the Company's annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments that are necessary for a fair statement of the Company's consolidated financial information. The interim results of operations are not necessarily indicative of the results that may be expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an ongoing basis, management evaluates its estimates including, but not limited to, those related to revenue recognition, revenue recognized under units-of-revenue method, equity securities, legal contingencies and stock-based compensation. The Company bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed 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 significantly from these estimates, such as the Company's billing under government contracts and amortization of the payments received from HealthCare Royalty Partners II, L.P. ("HCRP"). Under the Company's contracts with the National Institute of Allergy and Infectious Diseases ("NIAID"), a part of the National Institutes of Health ("NIH"), the Company billed using NIH's provisional rates and thus is subject to future audits at the discretion of NIAID's contracting office. In October of 2019, NIH notified the Company that it engaged KPMG to perform an audit of the Company's incurred cost submissions for 2013, 2014 and 2015. The audit procedures were completed and the Company adjusted its estimated liability owed to NIH to $1.4 million as of December 31, 2020 (Note 4). The estimated liability owed to NIH had not changed as of March 31, 2021. The audit remains subject to further review by NIH as part of the contract close-out process, which includes finalization of rates for years 2010 through 2015, and the Company may incur further liability as a result. In addition, under the contracts with HCRP, the amortization for the reporting period is calculated based on the payments expected to be made by the licensees to HCRP over the term of the arrangement. Any changes to the estimated payments by the licensees to HCRP can result in a material adjustment to revenue previously reported.

The COVID-19 pandemic has resulted in a global slowdown of economic activity which has led to delays and could result in further delays or terminations of some clinical trials underlying the Company's royalty purchase agreements. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. These estimates may change, as new events occur and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

Cash and Restricted Cash

Cash consists of bank deposits held in business checking and interest-bearing deposit accounts. As of March 31, 2021, the Company did not have any cash equivalent balances, defined as highly liquid financial instruments purchased with original maturities of three months or less.

Restricted cash consists of bank deposits held to pay dividends on the Company's Series A Preferred Stock.

The Company maintains cash and restricted cash balances at commercial banks. Balances commonly exceed the amount insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk with respect to such cash and restricted cash.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash	$ 67,808	$ 53,312
Restricted cash	2,142	—
Total cash and restricted cash	$ 69,950	$ 53,312

Revenue Recognition

The Company recognizes revenue from all contracts with customers according to Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services.

To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs 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 a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation based on relative fair values, when (or as) the performance obligation is satisfied.

The Company recognizes revenue from its license and collaboration arrangements and royalties. The terms of the arrangements generally include payment to the Company of one or more of the following: non-refundable, upfront license fees, development, regulatory and commercial milestone payments, and royalties on net sales of licensed products.

License of intellectual property

If the license to the Company’s intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, upfront fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses that are bundled with other promises, such as transfer of related materials, process and know-how, the Company utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. Under the Company’s license agreements, the nature of the combined performance obligation is the granting of licenses to the customers as the other promises are not separately identifiable in the context of the arrangement. Since the Company grants the license to a customer as it exists at the point of transfer, and is not involved in any future development or commercialization of the products related to the license, the nature of the license is a right to use the Company’s intellectual property as transferred. As such, the Company recognizes revenue related to the combined performance obligation upon completion of the delivery of the related materials, process and know-how (i.e., at a point in time).

Milestone payments

At the inception of each arrangement that includes development and regulatory milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price. ASC 606 suggests two alternatives to use when estimating the amount of variable consideration: the expected value method and the most likely amount method. Under the expected value method, an entity considers the sum of probability-weighted amounts in a range of possible consideration amounts. Under the most likely amount method, an entity considers the single most likely amount in a range of possible consideration amounts. The Company uses the most likely amount method for development and regulatory milestone payments.

If it is probable that a significant cumulative revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis. The Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company re-evaluates the probability or achievement of each such milestone and any related constraint, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes 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).

Upfront payments and fees are recorded as deferred revenue upon receipt or when due and may require deferral of revenue recognition to a future period until the Company performs its obligations under these arrangements. Amounts payable to the Company are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

Sale of Future Revenue Streams

The Company has sold its rights to receive certain milestones and royalties on product sales. In the circumstance where the Company has sold its rights to future milestones and royalties under a license agreement and also maintains limited continuing involvement in the arrangement (but not significant continuing involvement in the generation of the cash flows that are due to the purchaser), the Company defers recognition of the proceeds it receives for the sale of milestone or royalty streams and recognizes such unearned revenue as revenue under units-of-revenue method over the life of the underlying license agreement. Under the units-of-revenue method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from the purchaser to the total payments expected to be made to the purchaser over the term of the agreement, and then applying that ratio to the period's cash payment.

Estimating the total payments expected to be received by the purchaser over the term of such arrangements requires management to use subjective estimates and assumptions. Changes to the Company's estimate of the payments expected to be made to the purchaser over the term of such arrangements could have a material effect on the amount of revenues recognized in any particular period.

Stock-Based Compensation

The Company recognizes compensation expense for all stock-based payment awards made to the Company's employees, consultants and directors that are expected to vest based on estimated fair values. The valuation of stock option awards is determined at the date of grant using the Black-Scholes Option Pricing Model (the "Black-Scholes Model"). The Black-Scholes Model requires inputs such as the expected term of the option, expected volatility and risk-free interest rate. To establish an estimate of expected term, the Company considers the vesting period and contractual period of the award and its historical experience of stock option exercises, post-vesting cancellations and volatility. The estimate of expected volatility is based on the Company's historical volatility. The risk-free rate is based on the yield available on United States Treasury zero-coupon issues corresponding to the expected term of the award. The Company records forfeitures when they occur. The Company records compensation expense for service-based awards on a straight-line basis over the requisite service period, which is generally the vesting period of the award, or to the date on which retirement eligibility is achieved, if shorter.

Equity Securities

The Company received shares of common stock from Rezolute, Inc. ("Rezolute") (Note 4). Equity investments in Rezolute are classified in the condensed consolidated balance sheets as equity securities. The equity securities are measured at fair value, with changes in fair value recorded in the other income (expense), net line item of the condensed consolidated statement of operations and comprehensive loss at each reporting period. The Company remeasures its equity investments at each reporting period until such time that the investment is sold or disposed of. If the Company sells an investment, any realized gains and losses on the sale of the securities will be recognized in the condensed consolidated statement of operations and comprehensive loss in the period of sale.

In October 2020, Rezolute completed a 1:50 reverse stock split of its common shares (the "Rezolute Reverse Stock Split") and started trading on the Nasdaq Stock Market. As a result, the Company's number of shares of Rezolute common stock was reduced from 8,093,010 shares (pre-split shares) to 161,860 shares (post-split shares).

Purchase of Rights to Future Milestones and Royalties

The Company has purchased rights to receive a portion of certain future developmental, regulatory and commercial sales milestones, royalties and option fees on sales of products currently in clinical development. The Company acquired such rights from various entities and recorded the amount paid for these rights as long-term royalty receivables (Note 5). In addition, the Company may be obligated to make contingent payments related to certain product development milestones, fees upon exercise of options related to future license products and sales-based milestones. The contingent payments are evaluated whether they are freestanding instruments or embedded derivatives. If freestanding instruments, the contingent payments are measured at fair value at the inception of the arrangement, subject to remeasurement to fair value each reporting period. Any changes in the estimated fair value is recorded in the condensed consolidated statement of operations and comprehensive loss.

The Company accounts for milestone and royalty rights related to developmental pipeline products on a non-accrual basis using the cost recovery method. These developmental pipeline products are non-commercialized, non-approved products that require Food and Drug Administration ("FDA") or other regulatory approval, and thus have uncertain cash flows. The Company is not yet able to reliably forecast future cash flows given their pre-commercial stages of development. The related receivable balance is classified as noncurrent since no payments are probable to be received in the near term. Under the cost recovery method, any milestone or royalty payment received is recorded as a direct reduction of the recorded receivable balance. When the recorded receivable balance has been fully collected, any additional amounts collected are recognized as revenue.

The Company reviews public information on clinical trials, press releases and updates from its partners regularly to identify any impairment indicators or changes in expected recoverability of the long-term royalty receivable asset. If an impairment indicator is identified, and the Company determines expected future cash flows discounted to the current period are less than the carrying value of the asset, the Company will record impairment. The impairment will be recognized by reducing the financial asset to an amount that represents the present value of the most recent estimate of future cash flows. No impairment indicators were identified, and no impairment was recorded as of March 31, 2021 and December 31, 2020.

Leases

The Company leases its headquarters office space in Emeryville, California.

The Company determines the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. The lease term includes any renewal options and termination options that the Company is reasonably certain to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease, if that rate is readily determinable; otherwise, the Company uses its incremental borrowing rate. The incremental borrowing rate is determined by using the rate of interest that the Company would pay to borrow on a collateralized basis an amount equal to the lease payments for a similar term and in a similar economic environment. The Company built its incremental borrowing rate starting with the interest rate on its fully collateralized debt and then adjusted it for lease term length.

Rent expense for operating leases is recognized on a straight-line basis, unless the right-of-use asset has been impaired, over the reasonably assured lease term based on the total lease payments and is included in operating expenses in the condensed consolidated statements of operations and comprehensive loss.

If an operating lease were to reflect impairment, the Company will recognize the amortization of the right-of-use asset on a straight-line basis over the remaining lease term with rent expense still included in operating expenses in the condensed consolidated statements of operations and comprehensive loss.

For all leases, rent payments that are based on a fixed index or rate at the lease commencement date are included in the measurement of lease assets and lease liabilities at the lease commencement date.

The Company has elected the practical expedient to not separate lease and non-lease components. The Company's non-lease components are primarily related to property maintenance, which varies based on future outcomes, and thus is recognized in rent expense when incurred.

Income Taxes

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount which is more likely than not to be realizable.

The recognition, derecognition and measurement of a tax position is based on management's best judgment given the facts, circumstances and information available at each reporting date. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Net Loss per Share Attributable to Common Stockholders

The Company calculates basic and diluted loss per share attributable to common stockholders using the two-class method. The Company's convertible Series X and Series Y preferred stocks participate in any dividends declared by the Company on its common stock and are therefore considered to be participating securities. The Company's Series A Preferred Stock does not participate in any dividends or distribution by the Company on its common stock and is therefore not considered to be a participating security.

Under the two-class method, net income, as adjusted for any accumulated dividends on Series A Preferred Stock for the period and any deemed dividends related to beneficial conversion features on convertible preferred stock, if applicable, is allocated to each class of common stock and participating security as if all of the net income for the period had been distributed. Undistributed earnings allocated to participating securities are subtracted from net income in determining net income attributable to common stockholders. During periods of loss, the Company allocates no loss to participating securities because they have no contractual obligation to share in the losses of the Company. Basic net loss per share attributable to common stockholders is then calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. All participating securities are excluded from the basic weighted average common shares outstanding.

Diluted net loss per share attributable to common stockholders is based on the weighted average number of shares outstanding during the period, adjusted to include the assumed exercise of certain stock options and warrants for common stock. The calculation of diluted net loss per share attributable to common stockholders requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of any outstanding options or warrants, the presumed exercise of such securities are dilutive to net loss per share attributable to common stockholders for the period. Adjustments to the denominator are required to reflect the related dilutive shares. The Company's Series A Preferred Stock becomes convertible upon the occurrence of specific events other than a change in the Company's share price and therefore, is not included in the diluted shares until the contingency is resolved.

Concentration of Risk

Cash and receivables are financial instruments which potentially subject the Company to concentrations of credit risk, as well as liquidity risk.

The Company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business but does not generally require collateral on receivables. For the three months ended March 31, 2021, one partner represented 95% of total revenues. For the three months ended March 31, 2020, two partners represented 62% and 38% of total revenues. As of December 31, 2020, one partner represented 100% of the trade receivables, net balance. As of March 31, 2021, the Company had no trade receivables, net balance.

Comprehensive Loss

Comprehensive loss is comprised of two components: net loss and other comprehensive (loss) income. Other comprehensive (loss) income refers to gains and losses that under U.S. GAAP are recorded as an element of stockholders' equity but are excluded from net loss. The Company did not record any transactions within other comprehensive (loss) income in the periods presented and, therefore, the net loss and comprehensive loss were the same for all periods presented.

Accounting Pronouncements Recently Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The amendments in ASU 2019-12 are intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on its condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40).* This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock and amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusion. In addition, this ASU improves and amends the related EPS guidance. These amendments are effective for the Company for fiscal years beginning after December 15, 2023, including interim period within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company adopted ASU 2020-06 on January 1, 2021. The adoption of this ASU did not have a material impact on its condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022 and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company adopted ASU 2020-04 as of January 1, 2021. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaced the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 requires use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. Adoption of the standard requires using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date to align existing credit loss methodology with the new standard. ASU 2016-13 will be effective for all entities except public companies that are not smaller reporting companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, using a modified retrospective approach. Early adoption is permitted. The Company plans to adopt ASU 2016-13 and related updates on January 1, 2023. The Company is currently evaluating the impact of adopting this ASU on its condensed consolidated financial statements.

3. Condensed Consolidated Financial Statements Details

Equity Securities

As of March 31, 2021 and December 31, 2020, equity securities consisted of an investment in Rezolute's common stock of $1.0 million and $1.7 million, respectively (Note 4). For the three months ended March 31, 2021, the Company recognized losses of $0.7 million due to the change in fair value of its investment in Rezolute's common stock in the other income (expense), net line item of the condensed consolidated statements of operations and comprehensive loss. The Company recognized a loss of $0.3 million for the three months ended March 31, 2020.

Accrued and Other Liabilities

Accrued and other liabilities consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Accrued legal and accounting fees	$ 949	$ 351
Accrued incentive compensation	231	71
Accrued payroll and other benefits	111	136
Other	50	40
Interest payable	35	44
Total	$ 1,376	$ 642

Net Loss Per Share Attributable to Common Stockholders

The following is a reconciliation of the numerator (net loss) and the denominator (number of shares) used in the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2021	2020
Numerator		
Net loss	$ (7,373)	$ (4,758)
Less: Series A accumulated dividends	(530)	—
Net loss available to common stockholders, basic and diluted	$ (7,903)	$ (4,758)
Denominator		
Weighted average shares used in computing basic and diluted net loss per share available to common stockholders	11,240	9,761
Basic and diluted net loss per share of common stock	$ (0.70)	$ (0.49)

Potentially dilutive securities are excluded from the calculation of diluted net loss per share available to common stockholders if their inclusion is anti-dilutive.

The following table shows the weighted-average outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net loss per share attributable to common stockholders (in thousands):

	Three Months Ended March 31,	
	2021	2020
Convertible preferred stock	5,003	6,256
Common stock options	277	532
Warrants for common stock	5	15
Total	5,285	6,803

4. Licensing and Other Arrangements

Novartis International – Anti-TGFβ Antibody (NIS793)

On September 30, 2015, the Company and Novartis International Pharmaceutical Ltd. (“Novartis International”) entered into a license agreement (the “Anti-TGFβ Antibody License Agreement”) under which the Company granted Novartis International an exclusive, world-wide, royalty-bearing license to the Company’s anti-transforming growth factor beta (“TGFβ”) antibody program (now “NIS793”). Under the terms of the Anti-TGFβ Antibody License Agreement, Novartis International has worldwide rights to NIS793 and is responsible for the development and commercialization of antibodies and products containing antibodies arising from NIS793. Unless terminated earlier, the Anti-TGFβ Antibody

License Agreement will remain in effect, on a country-by-country and product-by-product basis, until Novartis International's royalty obligations end. The Anti-TGFβ Antibody License Agreement contains customary termination rights relating to material breach by either party. Novartis International also has a unilateral right to terminate the Anti-TGFβ Antibody License Agreement on an antibody-by-antibody and country-by-country basis or in its entirety on one hundred eighty days' notice.

The Company concluded that there were multiple promised goods and services under the Anti-TGFβ Antibody License Agreement, including the transfer of license, regulatory services and transfer of materials, process and know-how, which were determined to represent one combined performance obligation. The Company recognized the entire upfront payment of $37.0 million as revenue in the consolidated statement of comprehensive loss in 2015 as it had completed its performance obligations as of December 31, 2015.

The Company is eligible to receive up to a total of $480.0 million in development, regulatory and commercial milestones under the Anti-TGFβ Antibody License Agreement. During the year ended December 31, 2017, Novartis International achieved a clinical development milestone pursuant to the Anti-TGFβ Antibody License Agreement, and as a result, the Company earned a $ 10.0 million milestone payment which was recognized as license fees in the consolidated statement of operations and comprehensive loss.

The Company concluded that the development and regulatory milestone payments are solely dependent on Novartis International's performance and achievement of the specified events. The Company determined that it is not probable that a significant cumulative revenue reversal will not occur in future periods for these future payments. Therefore, the remaining development and regulatory milestones are fully constrained and excluded from the transaction price until the respective milestone is achieved. Any consideration related to commercial milestones (including royalties) will be recognized when the related sales occur as they were determined to relate predominantly to the licenses granted to Novartis International and therefore, have also been excluded from the transaction price. At the end of each reporting period, the Company will update its assessment of whether an estimate of variable consideration is constrained and update the estimated transaction price accordingly.

The Company is also eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from a mid single-digit percentage rate to up to a low double-digit percentage rate. Novartis International's obligation to pay royalties with respect to a particular product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or ten years from the date of the first commercial sale of the product in that country.

On October 21, 2020, the first patient was dosed in Novartis International's NIS793 Phase 2 clinical trial and the Company earned a $25.0 million milestone payment. As specified under the terms the Anti-TGFβ Antibody License Agreement, the Company received $17.7 million in cash and the remaining balance of $7.3 million was recognized as a reduction to the Company's debt obligation to Novartis. The Company is eligible to receive up to a total of $445.0 million in the remaining development, regulatory and commercial milestones under the Anti-TGFβ Antibody License Agreement.

As of March 31, 2021 and December 31, 2020, there wereno contract assets or contract liabilities related to this agreement.None of the costs to obtain or fulfill the contract were capitalized. No revenue was recognized for the three months ended March 31, 2021 and 2020.

Novartis – Gevokizumab (VPM087) and IL-1 Beta

On August 24, 2017, the Company and Novartis Pharma AG ("Novartis") entered into a license agreement (the "Gevokizumab License Agreement") under which the Company granted to Novartis an exclusive, worldwide, royalty-bearing license to gevokizumab ("VPM087"), a novel anti-Interleukin-1 ("IL-1") beta allosteric monoclonal antibody and related know-how and patents (altogether, the "XOMA IP"). Under the terms of the Gevokizumab License Agreement, Novartis is solely responsible for the development and commercialization of VPM087 and products containing VPM087.

On August 24, 2017, pursuant to a separate agreement (the "IL-1 Target License Agreement"), the Company granted to Novartis non-exclusive licenses to its intellectual property covering the use of IL-1 beta targeting antibodies in

the treatment and prevention of cardiovascular disease and other diseases and conditions, and an option to obtain an exclusive license (the "Exclusivity Option") to such intellectual property for the treatment and prevention of cardiovascular disease.

Under the Gevokizumab License Agreement, the Company received total consideration of $30.0 million for the license and rights granted to Novartis. Of the total consideration, $15.7 million was paid in cash and $14.3 million (equal to €12.0 million) was paid by Novartis Institutes for BioMedical Research, Inc. ("NIBR"), on behalf of the Company, to settle the Company's outstanding debt with Les Laboratories Servier ("Servier") (the "Servier Loan"). In addition, NIBR extended the maturity date on the Company's debt to Novartis. The Company also received $5.0 million cash related to the sale of 539,131 shares of the Company's common stock, at a purchase price of $9.2742 per share. The fair market value of the common stock issued to Novartis was $4.8 million, based on the closing stock price of $8.93 per share on August 24, 2017, resulting in a $0.2 million premium paid to the Company.

Based on the achievement of pre-specified criteria, the Company is eligible to receive up to $438.0 million in development, regulatory and commercial milestones under the Gevokizumab License Agreement. The Company is also eligible to receive royalties on sales of licensed products, which are tiered based on sales levels and range from the high single-digits to mid-teens. Under the IL-1 Target License Agreement, the Company received an upfront cash payment of $10.0 million and is eligible to receive low single-digit royalties on canakinumab sales in cardiovascular indications covered by the Company's patents. Should Novartis exercise the Exclusivity Option, the royalties on canakinumab sales will increase to the mid single-digits.

Unless terminated earlier, the Gevokizumab License Agreement and IL-1 Target License Agreement will remain in effect, on a country-by-country and product-by-product basis, until Novartis' royalty obligations end. The two agreements contain customary termination rights relating to material breach by either party. Novartis also has a unilateral right to terminate the Gevokizumab License Agreement on a product-by-product and country-by-country basis or in its entirety on six months' prior written notice to the Company. Under the IL-1 Target License Agreement, Novartis has a unilateral right to terminate the agreement on a product-by-product and country-by-country basis or in its entirety upon a prior written notice.

The Gevokizumab License Agreement and IL-1 Target License Agreement were accounted for as one arrangement because they were entered into at the same time in contemplation of each other. The Company concluded that there are multiple promised goods and services under the combined arrangement, including the transfer of license to IL-1 beta targeting antibodies, and the transfer of license, know-how, process, materials and inventory related to the VPM087 antibody, which were determined to represent two distinct performance obligations. The Company determined that the Exclusivity Option is not an option with material right because the upfront payments to the Company were not negotiated to provide an incremental discount for the future additional royalties upon exercise of the Exclusivity Option. Therefore, the Company concluded that the Exclusivity Option is not a performance obligation. The additional royalties will be recognized as revenue when, and if, Novartis exercises its option because the Company has no further performance obligations at that point.

At the inception of the arrangement, the Company determined that the transaction price under the arrangement was $40.2 million, which consisted of the $25.7 million upfront cash payments, the $14.3 million Servier Loan payoff and the $0.2 million premium on the sale of the common stock. The transaction price was allocated to the two performance obligations based on their standalone selling prices. The Company determined that the nature of the two performance obligations is the right to use the licenses as they exist at the point of transfer, which occurred when the transfer of materials, process and know-how, and filings to regulatory authority were completed. During the year ended December 31, 2017, the Company recognized the entire transaction price of $40.2 million as revenue upon completion of the delivery of the licenses and related materials, process and know-how and filings to regulatory authority.

The Company concluded that the development and regulatory milestone payments are solely dependent on Novartis' performance and achievement of specified events. The Company determined that it is not probable that a significant cumulative revenue reversal will not occur in future periods for these future payments. Therefore, the development and regulatory milestones are fully constrained and excluded from the transaction price until the respective milestone is achieved. Any consideration related to commercial milestones (including royalties) will be recognized when

the related sales occur as they were determined to relate predominantly to the licenses granted to Novartis and therefore, have also been excluded from the transaction price. At the end of each reporting period, the Company will update its assessment of whether an estimate of variable consideration is constrained and update the estimated transaction price accordingly.

As of March 31, 2021 and December 31, 2020, there wereno contract assets or contract liabilities related to this arrangement. None of the costs to obtain or fulfill the contract were capitalized.No revenue was recognized for the three months ended March 31, 2021 and 2020.

Takeda

On November 1, 2006, the Company entered into a collaboration agreement with Takeda Pharmaceutical Company Limited ("Takeda") (the "Takeda Collaboration Agreement") under which the Company agreed to discover and optimize therapeutic antibodies against multiple targets selected by Takeda.

Under the terms of the Takeda Collaboration Agreement, the Company may receive additional milestone payments aggregating up to $19.0 million relating to TAK-079 (mezagitamab) and low single-digit royalties on future sales of all products subject to this license. The Company's right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation by Takeda of all research and development activities with respect to all program antibodies, collaboration targets or collaboration products. The Company's right to royalties expires on the later of 13.5 years from the first commercial sale of each royalty-bearing discovery product or the expiration of the last-to-expire licensed patent (or 12 years from first commercial sale if there is significant generic competition post patent-expiration).

In February 2009, the Company expanded the existing collaboration to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems. The Company may receive milestones of up to $3.3 million per discovery product candidate and low single-digit royalties on future sales of all antibody products subject to this license. The Company's right to milestone payments expires on the later of the receipt of payment from Takeda of the last amount to be paid under the agreement or the cessation by Takeda of all research and development activities with respect to all program antibodies, collaboration targets or collaboration products. The Company's right to royalties expires on the later of 10 years from the first commercial sale of such royalty-bearing discovery product or the expiration of the last-to-expire licensed patent.

On November 16, 2020, the first patient was dosed in Takeda's Phase 2 study of mezagitamab, and the Company earned a $2.0 million milestone payment from Takeda.

As of March 31, 2021 and December 31, 2020, there wereno contract assets or contract liabilities related to this arrangement. None of the costs to obtain or fulfill the contract were capitalized.No revenue was recognized for the three months ended March 31, 2021 and 2020.

Rezolute

On December 6, 2017, the Company entered into a license agreement with Rezolute pursuant to which the Company granted an exclusive global license to Rezolute to develop and commercialize X358 (now "RZ358") products for all indications. The Company and Rezolute also entered into a common stock purchase agreement pursuant to which Rezolute agreed to issue to the Company, as consideration for receiving the license for RZ358, a certain number of its common stock related to its future financing activities.

Under the terms of the license agreement, Rezolute is responsible for all development, regulatory, manufacturing and commercialization activities associated with RZ358 and is required to make certain development, regulatory and commercial milestone payments to the Company of up to $232.0 million in the aggregate based on the achievement of pre-specified criteria. Under the license agreement, the Company is also eligible to receive royalties ranging from the high single-digits to the mid-teens based upon annual net sales of any commercial product incorporating RZ358. Rezolute is obligated to take customary steps to advance RZ358, including using diligent efforts to commence the next clinical study

for RZ358 by a certain deadline and to meet certain spending requirements on an annual basis for the program until a marketing approval application for RZ358 is accepted by the FDA. Rezolute's obligation to pay royalties with respect to a particular RZ358 product and country will continue for the longer of the date of expiration of the last valid patent claim covering the product in that country, or twelve years from the date of the first commercial sale of the product in that country. Rezolute's future royalty obligations in the United States will be reduced by 20% if the manufacture, use or sale of a licensed product is not covered by a valid XOMA patent claim, until such a claim is issued.

Under the terms of the license agreement, the Company is eligible to receive a low single-digit royalty on sales of Rezolute's other non-RZ358 products from its current programs. Rezolute's obligation to pay royalties with respect to a particular Rezolute product and country will continue for the longer of twelve years from the date of the first commercial sale of the product in that country or for so long as Rezolute or its licensee is selling such product in such country (the "Royalty Term"), provided that any such licensee royalty will terminate upon the termination of the licensee's obligation to make payments to Rezolute based on sales of such product in such country.

Rezolute had an option through June 1, 2019 to obtain an exclusive license for their choice of one of the Company's preclinical monoclonal antibody fragments, including X129 (the "Additional Product Option"), in exchange for a $1.0 million upfront option fee and additional clinical, regulatory and commercial milestone payments to the Company of up to $237.0 million in the aggregate based on the achievement of pre-specified criteria as well as royalties ranging from the high single-digits to the mid-teens based on annual net sales. On June 1, 2019, Rezolute's right to the Additional Product Option expired unexercised.

The license agreement contains customary termination rights relating to material breach by either party. Rezolute also has a unilateral right to terminate the license agreement in its entirety on ninety days' notice at any time. The Company has the right to terminate the license agreement if Rezolute challenges the licensed patents.

Under the license agreement and common stock purchase agreement,no consideration was exchanged upon execution of the arrangement. In consideration for receiving the license for RZ358, Rezolute agreed to issue shares of its common stock and pay cash to the Company upon the occurrence of Rezolute's financing activities and the amounts to be paid to be based on the timing of those activities.

Rezolute License Agreement - First Amendment

In March 2018, the Company and Rezolute amended the license agreement and common stock purchase agreement. Pursuant to the as-amended terms of the license agreement and common stock purchase agreement, the Company was eligible to receive $6.0 million in cash, $8.5 million of Rezolute's common stock, and 7,000,000 shares (140,000 post-split shares) of Rezolute's common stock, contingent on the completion of Rezolute's financing activities. Further, in the event that Rezolute did not complete a financing that raised at least $20.0 million in aggregate gross proceeds ("Qualified Financing") by March 31, 2019 (the "2019 Closing"), the Company would have received an additional number of shares of Rezolute's common stock equal to $8.5 million divided by the weighted average of the closing bid and ask prices or the average closing prices of Rezolute's common stock on the ten-day trading period prior to March 31, 2019. Finally, in the event that Rezolute was unable to complete a Qualified Financing by March 31, 2020, the Company would have been eligible to receive $15.0 million in cash in order for Rezolute to maintain the license. Under the common stock purchase agreement, Rezolute granted the Company the right and option to sell the greater of (i) 5,000,000 shares (100,000 post-split shares) of common stock or (ii)one third of the aggregate shares held by the Company upon failure by Rezolute to list its shares of its common stock on the Nasdaq Stock Market or a similar national exchange on or prior to December 31, 2018.

During the three months ended March 31, 2018, the Company completed the delivery of the license and related materials, product data/filing, process and know-how to Rezolute. However, the Company determined that it was not probable that the Company would collect substantially all of the consideration to which it was entitled in exchange for the goods and services transferred to Rezolute. Therefore, the Company determined no contract existed as of March 31, 2018 and no revenue was recognized during the three months ended March 31, 2018 under the arrangement.

Rezolute completed the Interim Financing Closing and the Initial Closing financing activities, as defined in the common stock purchase agreement, during the first and second quarter of 2018, respectively. As a result, XOMA received 8,093,010 shares (161,860 post-split shares) of Rezolute's common stock and cash of $0.5 million in April 2018. Under the license agreement, XOMA was also entitled to receive $0.3 million of reimbursable technology transfer expenses from Rezolute. The Company concluded that the payment associated with the Initial Closing represented substantially all consideration for the delivered license and technology to Rezolute. Therefore, the Company determined that a contract existed between Rezolute and XOMA under ASC 606 on April 3, 2018.

The license agreement and common stock purchase agreement were accounted for asone arrangement because they were entered into at the same time in contemplation of each other. The Company concluded that there were multiple promised goods and services under the combined arrangement, including the license to RZ358, the transfer of RZ358 materials and product data/filing, and the transfer of process and know-how related to RZ358, which were determined to represent one combined performance obligation. The Company determined that the Additional Product Option was not an option with material right because there was no upfront consideration to the Company that would result to an incremental discount for the future opt in payments. Therefore, the Company concluded that the Additional Product Option was not a performance obligation. On June 1, 2019, Rezolute's right to the Additional Product Option expired unexercised.

On April 3, 2018, the Company determined that the transaction price under the arrangement was $1.8 million, which consisted of the 8,093,010 shares (161,860 post-split shares) of Rezolute's common stock valued at $1.0 million, $0.5 million in cash, and reimbursable technology transfer expenses of $0.3 million. During the year ended December 31, 2018, the Company recognized the entire transaction price of $1.8 million as revenue upon completion of the delivery of the licenses and related materials, product data/filing, process and know-how. The change in fair value of Rezolute's common stock after the contract inception date was due to the form of the consideration and therefore, not included in the transaction price pursuant to the accounting guidance. The Company accounts for the change in the fair value of its investment in Rezolute's common stock in the other income (expense), net line item of the condensed consolidated statement of operations and comprehensive loss.

The Company concluded that the development and regulatory milestone payments are solely dependent on Rezolute's performance and achievement of the specified events. The Company determined that it is not probable that a significant cumulative revenue reversal will not occur in future periods for these future payments. Therefore, the development and regulatory milestones are fully constrained and excluded from the transaction price as of the inception of the arrangement. Any consideration related to commercial milestones (including royalties) will be recognized when the related sales occur as they were determined to relate predominantly to the licenses granted to Rezolute and therefore, have also been excluded from the transaction price. At the end of each reporting period, the Company will update its assessment of whether the estimate of variable consideration is constrained and update the estimated transaction price accordingly.

Rezolute License Agreement - Second Amendment

On January 7, 2019, the Company and Rezolute further amended the license agreement and common stock purchase agreement. The parties agreed to replace the issuance of common stock valued at $8.5 million to XOMA upon closing of a Qualified Financing with a requirement that Rezolute make five future cash payments to XOMA totaling $8.5 million through September 2020 (the "Future Cash Payments"). The amendment also provided for early payment of the Future Cash Payments (only until the $8.5 million was reached) by making cash payments to XOMA equal to 15% of the net proceeds of each future financing following the closing of the Qualified Financing, with such payments to be credited against any remaining unpaid Future Cash Payments in reverse order of their future payment date. In addition, the license agreement amendment revised the amount Rezolute is required to expend on development of RZ358 and related licensed products, revised provisions with respect to Rezolute's diligence efforts in conducting clinical studies and eliminated XOMA's right to appoint a member to Rezolute's board of directors.

The common stock purchase agreement was amended to remove certain provisions related to the issuance of equity to XOMA in accordance with the new provisions regarding the Future Cash Payments in the license agreement. Lastly, the common stock purchase agreement was amended to provide the Company the right and option to sell up to 5,000,000 shares (100,000 post-split shares) of Rezolute's common stock currently held by XOMA back to Rezolute upon failure by Rezolute to list its shares of its common stock on the Nasdaq Stock Market or a similar national exchange on or

prior to December 31, 2019. As of December 31, 2019, Rezolute failed to list its shares of common stock on the Nasdaq Stock Market or a similar exchange. Up to 2,500,000 shares (50,000 post-split shares) may be sold back to Rezolute during calendar year 2020. During the quarter ended December 31, 2020 Rezolute began trading on the Nasdaq Stock Market and the Company has not sold any of its shares.

On January 30, 2019, Rezolute closed a preferred stock financing for gross proceeds of $25.0 million, which triggered the Qualified Financing event defined under the amended common stock purchase agreement resulting in cash consideration due to XOMA of $5.5 million. In addition, the Company received from Rezolute a reimbursable technology transfer expense of $0.3 million. The cash consideration and technology reimbursement were received in February 2019.

As of March 31, 2019, Rezolute completed all financing activities, as defined in the license agreement and common stock purchase agreement, and the Company was eligible to receive $8.5 million in Future Cash Payments through September 2020 (in addition to any clinical, regulatory and annual net sales milestone payments and royalties). The Company concluded that the Future Cash Payments are dependent on Rezolute's ability to raise additional capital through future financing activities. During 2019, the Company recognized all $8.5 million Future Cash Payments as revenue and received $5.9 million Future Cash Payment from Rezolute.

Rezolute License Agreement - Third Amendment

On March 31, 2020, the Company and Rezolute further amended the license agreement to extend the payment schedule for the remaining $2.6 million in Future Cash Payments. The amendment to the payment terms was in response to Rezolute's need to preserve cash as a result of the COVID-19 pandemic and was agreed to by the Company. The extended payment schedule did not impact the total amount due, but instead, spread the $2.6 million into seven quarterly payments to be paid through September 30, 2021. The amended license agreement requires that in the event Rezolute completes a Qualified Financing at any time between March 31, 2020 and the date of the final payment, Rezolute shall pay all amounts outstanding within fifteen days following the closing of the Qualified Financing.

In the first quarter of 2020, the Company received the scheduled $0.4 million Future Cash Payment from Rezolute. The Company evaluated Rezolute's cash position as of March 31, 2020, including the estimated impact of the COVID-19 pandemic, and determined payments scheduled beyond September 30, 2020 were unlikely to be collected unless Rezolute was able to obtain additional funding, which had not occurred as of March 31, 2020. Therefore, for the three months ended March 31, 2020, the Company recorded $1.4 million in bad debt expense related to the Future Cash Payments. The Company received the scheduled $0.4 million and $0.4 million Future Cash Payments from Rezolute in the second and third quarters of 2020, respectively. The Company reassessed the collectability of the outstanding receivables and determined that the bad debt allowance of $1.4 million remained appropriate as of September 30, 2020, as the Company assessed that the financing was not probable as of the balance sheet date and as such the Company continued to have an incurred loss with respect to the collection of the remaining receivable.

On October 9, 2020, Rezolute completed a private placement of its equity securities with gross proceeds of $11.0 million, which was considered a Qualified Financing event under the Third Amendment. The Qualified Financing resulted in acceleration of the remaining receivables of $1.4 million due from Rezolute, and the Company received the entire amount in October 2020. The Company recognized $1.4 million as a reversal of bad debt expense in the fourth quarter of 2020.

During the quarter ended December 31, 2020, Rezolute completed a 1:50 reverse stock split of its common shares and started trading on the Nasdaq Stock Market. As a result, the Company's number of shares of Rezolute common stock was reduced from 8,093,010 shares (pre-split shares) to 161,860 shares (post-split shares).

As of March 31, 2021 and December 31, 2020, there were no contract assets or contract liabilities related to this arrangement. None of the costs to obtain or fulfill the contract were capitalized. No revenue was recognized for the three months ended March 31, 2021 and 2020.

The Company reassessed the development and regulatory milestones and concluded that such variable consideration is fully constrained and excluded from the transaction price as of March 31, 2021 and December 31, 2020.

Janssen Biotech

The Company and Janssen Biotech, Inc. ("Janssen") were parties to a license agreement which was terminated in 2017. In August 2019, the Company and Janssen entered into a new agreement pursuant to which the Company granted a non-exclusive license to Janssen to develop and commercialize certain drug candidates under the XOMA patents and know-how. Under the new agreement, Janssen made a one-time payment of $2.5 million to XOMA. Additionally, for each drug candidate, the Company is entitled to receive milestone payments of up to $3.0 million upon Janssen's achievement of certain clinical development and regulatory approval events. Additional milestones may be due for drug candidates which are the subject of multiple clinical trials. Upon commercialization, the Company is eligible to receive 0.75% royalty on net sales of each product. Janssen's obligation to pay royalties with respect to a particular product and country will continue until the eighth-year and sixth-month anniversary of the first commercial sale of the product in such country. The new agreement will remain in effect unless terminated by mutual written agreement of the parties.

The Company concluded that the new agreement should be accounted for separately from any prior arrangements with Janssen and that the license grant is the only performance obligation under the new agreement. The Company recognized the entire one-time payment of $2.5 million as revenue in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2019 as it had completed its performance obligation.

The Company concluded that the development and regulatory milestone payments are solely dependent on Janssen's performance and achievement of specified events and thus it is not probable that a significant cumulative revenue reversal will not occur in future periods for these future payments. Therefore, the development and regulatory milestones are fully constrained and excluded from the transaction price until the respective milestone is achieved. Any consideration related to royalties will be recognized when the related sales occur as they were determined to relate predominantly to the license granted to Janssen and therefore, have also been excluded from the transaction price. At the end of each reporting period, the Company will update its assessment of whether an estimate of variable consideration is constrained and update the estimated transaction price accordingly.

As of March 31, 2021 and December 31, 2020, there were no contract assets or contract liabilities related to this arrangement. None of the costs to obtain or fulfill the contract were capitalized. No revenue was recognized for the three months ended March 31, 2021 and 2020.

NIAID

Prior to the sale of the Company's biodefense business in 2017, the Company performed services under a $64.8 million multiple-year contract funded with federal funds from NIAID (Contract No. HHSN272200800028C), for development of anti-botulinum antibody product candidates. The contract work was being performed on a cost-plus fixed fee basis over a three-year period. The Company recognized revenue under the arrangement as the services were performed on a proportional performance basis. Consistent with the Company's other contracts with the U.S. government, invoices were provisional until finalized. The Company operated under provisional rates from 2010 through 2014, subject to adjustment based on actual rates upon agreement with the government. In 2014, upon completion of NIAID's review of hours and external expenses, XOMA agreed to exclude certain hours and external expenses resulting in a $0.4 million receivable and $0.8 million deferred revenue balances. As of December 31, 2017, the Company wrote off the $0.4 million receivable from NIAID as the likelihood of collection was remote. In October of 2019, NIH, which includes NIAID, notified the Company that it engaged KPMG to perform an audit of the Company's incurred cost submissions for 2013, 2014 and 2015. The KPMG testing procedures were completed in December 2020. As a result, the Company recognized $1.4 million as estimated refund liabilities owed to NIH on the consolidated balance sheet as of December 31, 2020. The additional $0.6 million liability was recognized as a reduction of revenue from contracts with customers in the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2020. The audit remains subject to further review by NIH as part of the contract close-out process, which includes finalization of rates for years 2010 through 2015, and the Company may incur a further liability as a result. The Company had $1.4 million as contingent liabilities on the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020, related to these matters.

Sale of Future Revenue Streams

On December 21, 2016, the Company entered into two royalty interest sale agreements (together, the "Royalty Sale Agreements") with HCRP. Under the first Royalty Sale Agreement, the Company sold its right to receive milestone payments and royalties on future sales of products subject to a License Agreement, dated August 18, 2005, between XOMA and Wyeth Pharmaceuticals (subsequently acquired by Pfizer, Inc. ("Pfizer")) for an upfront cash payment of $6.5 million, plus potential additional payments totaling $4.0 million in the event three specified net sales milestones were met in 2017, 2018 and 2019. Based on actual sales, 2017, 2018, and 2019 sales milestones were not achieved. Under the second Royalty Sale Agreement entered into in December 2016, the Company sold its right to receive certain royalties under an Amended and Restated License Agreement dated October 27, 2006 between XOMA and Dyax Corp. for a cash payment of $11.5 million.

The Company classified the proceeds received from HCRP as unearned revenue, to be recognized as revenue under units-of-revenue method over the life of the license agreements because of the Company's limited continuing involvement in the Acquisition Agreements. Such limited continuing involvement is related to the Company's undertaking to cooperate with HCRP in the event of litigation or a dispute related to the license agreements. Because the transaction was structured as a non-cancellable sale, the Company does not have significant continuing involvement in the generation of the cash flows due to HCRP and there are no guaranteed rates of return to HCRP, the Company recorded the total proceeds of $18.0 million as unearned revenue recognized under units-of-revenue method. The Company allocated the total proceeds between the two Royalty Sale Agreements based on the relative fair value of expected payments to be made to HCRP under the license agreements. The unearned revenue is being recognized as revenue over the life of the underlying license agreements under the "units-of-revenue" method. Under this method, amortization for a reporting period is calculated by computing a ratio of the allocated proceeds received from HCRP to the payments expected to be made by the licensees to HCRP over the term of the Acquisition Agreements, and then applying that ratio to the period's cash payment. During the third quarter of 2018, the Shire product underlying the Dyax Corp. license agreement was approved, and the Company began recognizing revenue under the units-of-revenue method due to sales of the approved product.

The Company recognized $0.4 million and $0.3 million as revenue under units-of-revenue method under these arrangements during the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the Company classified $1.5 million and $13.1 million as current and non-current unearned revenue recognized under units-of-revenue method, respectively. As of December 31, 2020, the current and non-current portion of the remaining unearned revenue recognized under units-of-revenue method was $1.5 million and $13.5 million, respectively.

5. Royalty Purchase Agreements

Royalty Purchase Agreement with Agenus, Inc.

On September 20, 2018, the Company entered into a royalty purchase agreement (the "Agenus Royalty Purchase Agreement") with Agenus, Inc., and certain affiliates (collectively, "Agenus"). Under the Agenus Royalty Purchase Agreement, the Company purchased from Agenus the right to receive 33% of the future royalties on six Incyte Europe S.a.r.l. ("Incyte") immuno-oncology assets, currently in development, due to Agenus from Incyte (net of certain royalties payable by Agenus to a third party) and 10% of all future developmental, regulatory and commercial milestones related to these assets. However, the Company did not have a right to the expected near-term milestone associated with the entry of INCAGN2390 (anti-TIM-3) into its Phase 1 clinical trial. The future royalties due to Agenus from Incyte are based on low single to mid-teen digit percentage of applicable net sales.

In addition, the Company purchased from Agenus the right to receive 33% of the future royalties on MK-4830, an immuno-oncology product currently in clinical development, due to Agenus from Merck Sharp & Dohme Corp. ("Merck") and 10% of all future developmental, regulatory and commercial milestones related to this asset. The future royalties due to Agenus from Merck are based on low single-digit percentage of applicable net sales. Pursuant to the Agenus Royalty Purchase Agreement, the Company's share in future potential development, regulatory and commercial

milestones is up to $59.5 million. There is no limit on the amount of future royalties on sales that the Company may receive under the agreements.

Under the terms of the Agenus Royalty Purchase Agreement, the Company paid Agenus $15.0 million. The Company financed $7.5 million of the purchase price with a term loan under its Loan and Security Agreement with Silicon Valley Bank ("SVB") (Note 8).

At the inception of the agreement, the Company recorded $15.0 million as long-term royalty receivables in the condensed consolidated balance sheets.

In November 2020, MK-4830 advanced into Phase 2 development and Agenus earned a $10.0 million clinical development milestone under its license agreement with Merck, of which the Company earned $1.0 million. In accordance with the cost recovery method, the $1.0 million milestone received was recorded as a direct reduction of the recorded long-term royalty receivable balance.

The Company continues to assess that no further payments are probable to be received under this agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to milestones and royalties received until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

Royalty Purchase Agreement with Bioasis Technologies, Inc.

On February 25, 2019, the Company entered into a royalty purchase agreement (the "Bioasis Royalty Purchase Agreement") with Bioasis Technologies, Inc. and certain affiliates (collectively "Bioasis"). Under the Bioasis Royalty Purchase Agreement, the Company purchased potential future milestone and royalty rights from Bioasis for product candidates that are being developed pursuant to a license agreement between Bioasis and Prothena Biosciences Limited. In addition, the Company was granted options to purchase a 1% royalty right on the next two license agreements entered into between Bioasis and third-party licensees subject to certain payments and conditions as well as a right of first negotiation on subsequent Bioasis license agreements with third parties. Upon exercise of the option related to the second license agreement executed by Bioasis, the Company may be obligated to pay up to $0.3 million per licensed product. Upon exercise of the option related to the third license agreement executed by Bioasis, the Company may be obligated to pay up to $0.4 million per licensed product.

Under the terms of the Bioasis Royalty Purchase Agreement, the Company paid $0.3 million and will make contingent future cash payments of up to $0.2 million to Bioasis as the licensed product candidates reach certain development milestones (the "Bioasis Contingent Consideration").

At the inception of the agreement, the Company recorded $0.4 million as long-term royalty receivables in its condensed consolidated balance sheet, including the estimated fair value of the Bioasis Contingent Consideration of $0.1 million. Future changes in the estimated fair value of the contingent consideration will be recognized in the other income (expense), net line item of the condensed consolidated statement of operations and comprehensive loss. As of March 31, 2021, there was no change in the fair value of the contingent consideration from its initial value and no amounts were paid during the three months ended March 31, 2021. The Company continues to assess that no payments are probable to be received under this agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to milestones and royalties received until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

On November 2, 2020, the Company entered into another royalty purchase agreement (the "Second Bioasis Royalty Purchase Agreement") with Bioasis. Under the Second Bioasis Royalty Purchase Agreement, the Company purchased potential future milestone and other payments, and royalty rights from Bioasis for product candidates that are being developed pursuant to a research collaboration and license agreement between Bioasis and Chiesi Farmaceutici S.p.A. ("Chiesi"). The Company paid Bioasis $1.2 million upon closing of the Second Bioasis Royalty Purchase Agreement for the purchased rights.

At the inception of the Second Bioasis Royalty Purchase Agreement, the Company recorded $1.2 million as long-term royalty receivables in its consolidated balance sheet. The Company continues to assess that no payments are probable to be received under the Second Bioasis Royalty Purchase Agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to milestones and other payments until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

Royalty Purchase Agreement with Aronora, Inc.

On April 7, 2019, the Company entered into a royalty purchase agreement (the "Aronora Royalty Purchase Agreement") with Aronora, Inc. ("Aronora"), which closed on June 26, 2019. Under the Aronora Royalty Purchase Agreement, the Company purchased from Aronora the right to receive future royalties and a portion of upfront, milestone, and option payments (the "Non-Royalties") related to five anti-thrombotic hematology drug candidates. Three candidates were subject to Aronora's collaboration with Bayer Pharma AG ("Bayer") (the "Bayer Products"), including one which was subject to an exclusive license option by Bayer. The Company will receive 100% of future royalties and 10% of future Non-Royalties from these Bayer Products. The other two candidates are unpartnered (the "non-Bayer Products") for which the Company will receive low single-digit percentage of net sales and 10% of Non-Royalties. The future payment percentage for Non-Royalties will be reduced from 10% to 5% upon the Company's receipt of two times the total cumulative amount of consideration paid by the Company to Aronora. In July 2020, Bayer elected to not exercise its option on the third Bayer Product and that product is now subject to the same economics as the non-Bayer Products.

Under the terms of the Aronora Royalty Purchase Agreement, the Company paid Aronora a $6.0 million upfront payment at the close of the transaction. The Company financed $3.0 million of the upfront payment with a term loan under its Loan and Security Agreement with SVB (Note 8). The Company was required to make a contingent future cash payment of $1.0 million for each of the three Bayer Products that were active on September 1, 2019 (up to a total of $3.0 million, the "Aronora Contingent Consideration"). Pursuant to the Aronora Royalty Purchase Agreement, if the Company receives $ 250.0 million in cumulative royalties on net sales per product, the Company will be required to pay associated tiered milestone payments to Aronora in an aggregate amount of up to $ 85.0 million per product (the "Royalty Milestones"). The Royalty Milestones are paid based upon various royalty tiers prior to reaching $250.0 million in cumulative royalties on net sales per product. Royalties per product in excess of $250.0 million are retained by the Company.

At the inception of the agreement, the Company recorded $9.0 million as long-term royalty receivables in its condensed consolidated balance sheet, including the estimated fair value of the Aronora Contingent Consideration of $ 3.0 million. In September 2019, the Company paid the $3.0 million contingent consideration to Aronora. As the Company receives royalties from Aronora for a product, the Company will recognize the liability for future Royalty Milestones for such product when probable and estimable. The Company continues to assess that no payments are probable to be received under this agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to milestones and royalties received until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

Royalty Purchase Agreement with Palobiofarma, S.L.

On September 26, 2019, the Company entered into a royalty purchase agreement (the "Palo Royalty Purchase Agreement") with Palobiofarma, S.L. ("Palo"), a company organized and existing under the laws of Spain. Pursuant to the Palo Royalty Purchase Agreement, the Company acquired the rights to potential royalty payments in low single-digit percentages of aggregate Net Sales (as defined in the Palo Royalty Purchase Agreement) associated with six drug

candidates in various clinical development stages, targeting the adenosine pathway with potential applications in solid tumors, non-Hodgkin's lymphoma, asthma/chronic obstructive pulmonary disease, ulcerative colitis, idiopathic pulmonary fibrosis, lung cancer, psoriasis and nonalcoholic steatohepatitis and other indications (the "Palo Licensed Products") that are being developed by Palo. Novartis is a development partner on NIR178, one of the Palo Licensed Products, and NIR178 is being developed pursuant to a license agreement between Palo and Novartis.

Under the terms of the Palo Royalty Purchase Agreement, the Company paid Palo a $10.0 million payment at the close of the transaction which occurred simultaneously upon parties' entry into the Palo Royalty Purchase Agreement on September 26, 2019. The Company financed $5.0 million of the payment with a term loan under its Loan and Security Agreement with SVB (Note 8).

At the inception of the agreement, the Company recorded $10.0 million as long-term royalty receivables in its condensed consolidated balance sheet. The Company continues to assess that no payments are probable to be received under this agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties received until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

Royalty Purchase Agreement with Viracta Therapeutics, Inc.

On March 22, 2021, the Company entered into a royalty purchase agreement (the "Viracta Royalty Purchase Agreement") with Viracta Therapeutics, Inc. ("Viracta"). Under the Viracta Royalty Purchase Agreement, the Company purchased from Viracta the right to receive future royalties, milestones, and other payments related to two clinical stage drug candidates. The first candidate, DAY101 (pan-RAF kinase inhibitor), is being developed by Day One Biopharmaceuticals, and the second candidate, vosaroxin (topoisomerase II inhibitor), is being developed by Denovo Biopharma. Under the terms of the Viracta Royalty Purchase Agreement, the Company paid Viracta $13.5 million upon closing of the transaction. Under the Viracta Royalty Purchase Agreement, the Company has acquired the right to receive (i) royalties on potential sales related to DAY101, if approved, up to $54.0 million in potential milestones, and other payments related to DAY101 excluding up to $20.0 million consideration retained by Viracta; and (ii) royalties on potential sales related to vosaroxin, if approved, and up to $57.0 million in potential regulatory and commercial milestones, subject to certain payment provisions to a third party.

At the inception of the Viracta Royalty Purchase Agreement, the Company recorded $13.5 million as long-term royalty receivables in its condensed consolidated balance sheet. No payments are probable to be received under the Viracta Royalty Purchase Agreement in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties, milestones and other payments until the investment has been fully collected. The Company performed its quarterly impairment assessment and no impairment indicators were identified. Accordingly, no impairment was recorded as of March 31, 2021.

The following table summarizes the long-term royalty receivable activities including acquisitions of royalty rights during the three months ended March 31, 2021 (in thousands):

Balance at December 31, 2020	$ 34,575
Acquisition of royalty rights:	
Viracta	13,500
Balance at March 31, 2021	$ 48,075

6. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain of the Company's financial instruments, including cash, trade receivables, net and accounts payable, approximate their fair value

due to their short maturities. Fair value is defined as the exchange price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance for fair value establishes a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs used in valuation techniques. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 – Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities, such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; therefore, requiring an entity to develop its own valuation techniques and assumptions.

The following tables set forth the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as follows (in thousands):

	Fair Value Measurements at March 31, 2021 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Equity securities	$ —	$ —	$ 1,021	$ 1,021
Liabilities:				
Contingent consideration	$ —	$ —	$ 75	$ 75

	Fair Value Measurements at December 31, 2020 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Equity securities	$	$	$ 1,693	$ 1,693
Liabilities:				
Contingent consideration	$ —	$ —	$ 75	$ 75

During the three months ended March 31, 2021 and 2020, there wereno transfers between Level 1, Level 2, or Level 3 assets reported at fair value on a recurring basis.

Equity Securities

The following table provides a summary of changes in the estimated fair value of the Company's Level 3 financial assets for the three months ended March 31, 2021 (in thousands):

	Three Months Ended March 31,
Balance at December 31, 2020	$ 1,693
Change in fair value	(672)
Balance at March 31, 2021	$ 1,021

The equity securities consisted of an investment in Rezolute's common stock and are classified as long-term assets on the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020. The equity securities are revalued each reporting period with changes in fair value recorded in the other income (expense), net line item of the condensed consolidated statements of operations and comprehensive loss.

As of March 31, 2021, the Company and its valuation specialist valued the equity securities using the closing price for Rezolute's common stock traded on the Nasdaq Stock Market and adjusted for an illiquidity discount. The inputs used to calculate the illiquidity discount are based on observable and unobservable estimates and judgments and therefore is classified as a Level 3 fair value measurement. As the Company has the right and option to sell up to 100,000 shares of Rezolute's common stock back to Rezolute after December 31, 2019 (Note 4), the fair value of the equity securities was determined by dividing the total shares of Rezolute's common stock held by the Company into two tranches based on the estimated time to a potential liquidity event.

The estimated fair value of the equity securities was calculated based on the following assumptions as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Closing common stock price[1]	$ 7.06	$ 11.99
Tranche 1:		
Discount for lack of marketability	10.5 %	12 %
Estimated time to liquidity of shares	0.25 year	0.25 year
Tranche 2:		
Discount for lack of marketability	11 %	14 %
Estimated time to liquidity of shares	0.53 year	0.67 years

Changes in any of the assumptions related to the unobservable inputs identified above may change the fair value of the equity securities.

Contingent Consideration

The estimated fair value of the contingent consideration liability at the inception of the Bioasis Royalty Purchase Agreement represents the future consideration that is contingent upon the achievement of specified development milestones for a product candidate. The fair value measurement is based on significant Level 3 inputs such as anticipated timelines and probability of achieving development milestones of each licensed product candidate. Changes in the fair value of the liability for contingent consideration will be recorded in the other income (expense), net line item of the condensed consolidated statements of operations and comprehensive loss until settlement. As of March 31, 2021, there were no changes in the estimated fair value of the contingent consideration from its initial value of $0.1 million.

Debt

The estimated fair value of the Company's outstanding debt is estimated using the net present value of the payments, discounted at an interest rate that is consistent with market interest rates, which is a Level 2 input (Note 8). The carrying amount and the estimated fair value of the Company's outstanding long-term debt at March 31, 2021 and December 31, 2020, are as follows (in thousands):

	March 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
SVB Loans	$ 9,762	$ 9,752	$ 11,759	$ 11,747
Novartis note	9,093	9,092	9,093	9,055
Total	$ 18,855	$ 18,844	$ 20,852	$ 20,802

7. Lease Agreements

The Company leases one facility in Emeryville, California under an operating lease that expires in February 2023. The lease contains an option to extend the lease for an additional term, however, the Company is not reasonably certain to exercise this option.

The following table summarizes maturity of the Company's operating lease liabilities as of March 31, 2021 (in thousands):

Undiscounted lease payments	Operating Leases
2021 (excluding three months ended March 31, 2021)	$ 148
2022	202
2023	34
Thereafter	—
Total undiscounted lease payments	384
Present value adjustment	(19)
Total net lease liabilities	$ 365

The following table summarizes the cost components of the Company's operating leases for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Lease costs:		
Operating lease cost	$ 44	$ 44
Variable lease cost [1]	3	2
Total lease costs	$ 47	$ 46

(1) Under the terms of the lease agreements, the Company is also responsible for certain variable lease payments that are not included in the measurement of the lease liability. Variable lease payments include non-lease components such as common area maintenance fees.

The following information represents supplemental disclosure for the statement of cash flows related to operating leases (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows under operating leases	$ 49	$ 46

The present value assumptions used in calculating the present value of the lease payments as of March 31, 2021 and December 31, 2020 were as follows:

	March 31, 2021	December 31, 2020
Weighted-average remaining lease term		
Operating leases	1.92 years	2.17 years
Weighted-average discount rate		
Operating leases	5.51 %	5.51 %

8. Long-Term Debt and Other Financings

Silicon Valley Bank Loan Agreement

On May 7, 2018 (the "Effective Date"), the Company executed a Loan and Security Agreement (the "Loan Agreement") with SVB. Under the Loan Agreement, upon the Company's request, SVB made advances (each, a "Term Loan Advance") available to the Company up to $20.0 million (the "Term Loan"). The Company was allowed to borrow advances under the Term Loan from the Effective Date until the earlier of March 31, 2019 or an event of default (the "Draw Period"). In the event of a default related to the Note Agreement with Novartis, SVB's obligation to make any credit extensions to the Company under the Loan Agreement would immediately terminate. The interest rate is calculated at a rate equal to the greater of (i) 4.75%, or (ii) 0.25% plus the prime rate as reported from time to time in The Wall Street Journal.

Payments under the Loan Agreement were interest only until the first anniversary of the funding date of each Term Loan Advance. The interest-only period is followed by equal monthly payments of principal and interest over 24 months. Each Term Loan Advance will mature at the earlier of (i) the 23 months following the applicable term loan amortization date for each such Term Loan Advance (ii) March 1, 2023, or (iii) 30 days prior to the earliest maturity of any portion of the Company's loan with Novartis (the "Loan Maturity Date"). After repayment, no Term Loan Advance (or any portion thereof) may be reborrowed.

The entire principal balance, including a final payment fee equal to 8.5% of the principal, will be due and payable on the Loan Maturity Date. If the Company prepays the Term Loan Advance prior to the Loan Maturity Date, it will pay SVB a prepayment premium, based on a prepayment fee equal to 2.00% of the amount prepaid, if the prepayment occurs after the first anniversary of the Effective Date but prior to the second anniversary of the Effective Date, and 1.00% of the amount prepaid if the prepayment occurs after the second anniversary of the Effective Date. In the event of a default, a default interest rate of an additional 4% may be applied to the outstanding payments due to SVB, and SVB may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement.

The Company's obligations under the Loan Agreement are secured by a security interest in substantially all of its assets, other than its intellectual property. The Loan Agreement includes customary affirmative and restrictive covenants, but does not include any financial maintenance covenants, and also includes standard events of default, including payment defaults.

In connection with the Loan Agreement, the Company issued a warrant to SVB which is exercisable in whole or in part for up to an aggregate of 6,332 shares of common stock with an exercise price of $23.69 per share (the "Warrant"). The Warrant may be exercised on a cashless basis and is exercisable within 10 years from the date of issuance or upon the consummation of certain acquisitions of the Company. The fair value of the Warrant issued to SVB was determined using the Black-Scholes Model and was estimated to be $ 0.1 million. In addition, the Company incurred debt issuance costs of $0.2 million in connection with the Loan Agreement.

On March 4, 2019, the Loan Agreement was amended to extend the Draw Period from March 31, 2019 to March 31, 2020. In connection with the amendment, the Company issued a second warrant to SVB which is exercisable in whole or in part for up to an aggregate of 4,845 shares of common stock with an exercise price of $14.71 per share. The fair value of the second warrant issued to SVB was determined using the Black-Scholes Model and was estimated to be $0.1 million. The Draw Period has not been extended further.

As of March 31, 2021, both warrants are outstanding. In addition, both warrants may be exercised on a cashless basis and are exercisable within 10 years from the date of issuance or upon the consummation of certain acquisitions of the Company.

In September 2018, the Company borrowed advances of $7.5 million under the Loan Agreement in connection with the Agenus Royalty Purchase Agreement (Note 5). The Company recorded a discount of $0.3 million against the debt, which is being amortized to interest expense over the term of the Term Loan Advance using the effective interest method.

During the year ended December 31, 2019, the Company borrowed advances totaling $9.5 million under the Loan Agreement in connection with the Aronora Royalty Purchase Agreement, Palo Royalty Purchase Agreement and payment of the Aronora Contingent Consideration (Note 5). The Company recorded a discount of $45,000 against the debt, which is being amortized to interest expense over the term of the Term Loan Advance using the effective interest method.

The Company recorded $0.1 million and $0.2 million of non-cash interest expense resulting from the amortization of the discount and accretion of the final payment for the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the carrying value of the debt under the Loan Agreement was $9.8 million. Of this amount, $7.2 million is classified as current portion of long-term debt and $2.6 million is classified as long-term debt on the condensed consolidated balance sheet. As of December 31, 2020, the carrying value of the debt under the Loan Agreement was $11.8 million. Of this amount, $8.1 million was classified as current portion of long-term debt and $3.7 million was classified as long-term debt on the condensed consolidated balance sheet.

Novartis Note

In May 2005, the Company executed a secured note agreement (the "Note Agreement") with Novartis, which was due and payable in full in June 2015. Under the Note Agreement, the Company borrowed semi-annually to fund up to 75% of the Company's research and development and commercialization costs under its collaboration arrangement with Novartis, not to exceed $50.0 million in aggregate principal amount. Interest on the principal amount of the loan accrues at six-month LIBOR plus 2%, which was equal to 2.26% at March 31, 2021, and the interest rate resets in June and December annually. Accrued interest is payable semi-annually in June and December of each year or, at the Company's election, the semi-annual interest payments may be added to the outstanding principal amount, in lieu of a cash payment, as long as the aggregate principal amount does not exceed $50.0 million. The Company has made this election for all interest payments. Loans under the Note Agreement are secured by the Company's interest in its collaboration with Novartis, including any payments owed to it thereunder.

On September 30, 2015, concurrent with the execution of a license agreement with Novartis International as discussed in Note 4, XOMA and NIBR, who assumed the rights to the note from Novartis Vaccines Diagnostics, Inc. executed an amendment to the Note Agreement (the "Secured Note Amendment") under which the parties extended the maturity date of the note from September 30, 2015 to September 30, 2020, and eliminated the mandatory prepayment previously required to be made with certain proceeds of pre-tax profits and royalties. In addition, upon achievement of a specified development and regulatory milestone, the then-outstanding principal amount of the note was to be reduced by $7.3 million rather than the Company receiving such amount as a cash payment.

On September 22, 2017, in connection with the Gevokizumab License Agreement with Novartis, the Company and NIBR executed an amendment to the Secured Note Amendment under which the parties further extended the maturity date of the Secured Note Amendment from September 30, 2020 to September 30, 2022.

On October 21, 2020, the first patient was dosed in Novartis International's NIS793 Phase 2 clinical trial and the Company earned a $25.0 million milestone pursuant to the Anti-TGFβ Antibody License Agreement, of which $17.7 million was received in cash and $7.3 million was recognized as a reduction to the debt obligation to Novartis.

As of March 31, 2021 and December 31, 2020, the outstanding principal balance under the Secured Note Amendment was $9.1 million and was included in long-term debt in the accompanying condensed consolidated balance sheet.

Payments of Long-Term Debt

Aggregate future principal, final payment fees and discounts of the Company's long-term debt as of March 31, 2021, are as follows (in thousands):

	March 31, 2021
2021 (excluding three months ended March 31, 2021)	$ 6,290
2022	13,523
Thereafter	—
Total payments	19,813
Less: interest, final payment fees, discount and issuance costs	(958)
Total payments, net of interest, final payment fees, discount and issuance costs	18,855
Less: current portion of long-term debt	(7,201)
Long-term debt	$ 11,654

Interest Expense

Amortization of debt issuance costs and discounts are included in interest expense. Interest expense in the condensed consolidated statements of operations and comprehensive loss relates to the following debt instruments (in thousands):

	Three Months Ended March 31,	
	2021	2020
SVB loan	$ 238	$ 383
Novartis note	51	158
Other	—	1
Total interest expense	$ 289	$ 542

9. Common Stock Warrants

As of March 31, 2021 and December 31, 2020, the following common stock warrants were outstanding:

Issuance Date	Expiration Date	Balance Sheet Classification	Exercise Price per Share	March 31, 2021	December 31, 2020
February 2016	February 2021	Stockholders' equity	$ 15.40	—	8,249
May 2018	May 2028	Stockholders' equity	$ 23.69	6,332	6,332
March 2019	March 2029	Stockholders' equity	$ 14.71	4,845	4,845
				11,177	19,426

During the first quarter of 2021, the Company issued 4,917 shares of common stock through a cashless exercise of the February 2016 common stock warrants held by Torreya Partners LLC.

10. Commitments and Contingencies

Collaborative Agreements, Royalties and Milestone Payments

The Company has committed to make potential future milestone payments and legal fees to third parties as part of licensing and development programs. Payments under these agreements become due and payable only upon the achievement of certain developmental, regulatory and commercial milestones by the Company's licensees. Because it is

uncertain if and when these milestones will be achieved, such contingencies, aggregating up to $7.6 million (assuming one product per contract meets all milestones events) have not been recorded on the accompanying condensed consolidated balance sheets. The Company is unable to determine precisely when and if payment obligations under the agreements will become due as these obligations are based on milestone events, the achievement of which is subject to a significant number of risks and uncertainties.

Contingent Consideration

Pursuant to the Company's royalty purchase agreement with Bioasis the Company has committed to pay the Bioasis Contingent Consideration and the Aronora Royalty Milestones. The Company recorded $0.1 million for the Bioasis Contingent Consideration which represents the estimated fair value of these potential future payments at the inception of the agreements. The contingent consideration is remeasured at fair value at each reporting period, with changes in fair value recorded in other income (expense), net. As of March 31, 2021, there were no changes in the estimated fair value of the Bioasis Contingent Consideration from its initial value. The liability for future Aronora Royalty Milestones will be recorded when the amounts by product are estimable and probable. As of March 31, 2021, none of these Aronora Royalty Milestones were assessed to be probable and as such, no liability was recorded on the condensed consolidated balance sheet.

11. Stock-based Compensation

The Company may grant qualified and non-qualified stock options, common stock and other stock-based awards under various plans to directors, officers, employees and other individuals. Stock options are granted at exercise prices of not less than the fair market value of the Company's common stock on the date of grant. Additionally, the Company has an Employee Stock Purchase Plan ("ESPP") that allows employees to purchase Company shares at a purchase price equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last day of the offering period.

Stock Options

Stock options generally vest monthly over three years for employees and one year for directors. Stock options held by employees who qualify for retirement age (defined as employees that are a minimum of 55 years of age and the sum of their age plus years of full-time employment with the Company exceeds 70 years) vest on the earlier of scheduled vest date or the date of retirement.

The fair value of the stock options granted during the three months ended March 31, 2021 and 2020, was estimated based on the following weighted average assumptions:

	Three Months Ended March 31,	
	2021	2020
Dividend yield	0 %	0 %
Expected volatility	98 %	100 %
Risk-free interest rate	0.71 %	0.90 %
Expected term	5.61 years	5.57 years

Stock option activity for the three months ended March 31, 2021, was as follows:

	Number of shares	Weighted Average Exercise Price Per Share	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	1,827,906	$ 20.66	6.31	$ 51,401
Granted	142,823	39.02		
Exercised	(24,193)	16.08		
Forfeited, expired or cancelled	(53,449)	70.43		
Outstanding at March 31, 2021	1,893,087	$ 20.70	6.23	$ 45,176
Exercisable at March 31, 2021	1,527,042	$ 19.13	5.56	$ 40,186

The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2021 was $0.6 million. No options were exercised during the three months ended March 31, 2020.

The weighted-average grant-date fair value per share of the options granted during the three months ended March 31, 2021 and 2020 was $29.57 and $16.30, respectively.

As of March 31, 2021, $4.3 million of total unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of 1.98 years.

Stock-based Compensation Expense

The following table shows total stock-based compensation expense for stock options and ESPP in the condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended March 31,	
	2021	2020
Research and development	$ —	$ —
General and administrative	2,898	1,788
Total stock-based compensation expense	$ 2,898	$ 1,788

12. Capital Stock

Series X and Series Y Convertible Preferred Stock

The Company sold directly to Biotechnology Value Fund, L.P. ("BVF") 5,003 shares of Series X convertible preferred stock in 2017 and 1,252.772 shares of Series Y preferred stock in 2018. There were5,003 shares of Series X convertible preferred stock andno shares of Series Y convertible preferred stock outstanding as of March 31, 2021, after BVF converted all Series Y preferred stock into common stock on April 15, 2020. The Series X and Series Y convertible preferred stock have the following characteristics, which are set forth in Certificates of Designation of Preferences, Rights and Limitations filed with the Delaware Secretary of State.

Dividends— Holders of convertible preferred stock are entitled to receive dividends on shares of convertible preferred stock equal (on an as if converted to common stock basis) to and in the same form as dividends actually paid on the Company's common stock.

Liquidation Rights— In the event of the Company's liquidation, dissolution or winding up, holders of convertible preferred stock will participate, on a pro-rata basis, with any distribution of proceeds to holders of common stock.

Conversion— Each share of Series X and Series Y is convertible into1,000 shares of registered common stock based on a conversion price of $4.03 per share and $13.00 per share of common stock, respectively.

Voting Rights— Convertible preferred stock will generally have no voting rights, except as required by law and except that the consent of the holders of the outstanding convertible preferred stock will be required to amend the terms and to issue additional shares of the preferred stock.

Classification— The Company evaluated the convertible preferred stock for liability or equity classification under the applicable accounting guidance and determined that equity treatment was appropriate because the convertible preferred stock did not meet the definition of the liability instruments defined thereunder for convertible instruments. Specifically, the convertible preferred shares are not mandatorily redeemable and do not embody an obligation to buy back the shares outside of the Company's control in a manner that could require the transfer of assets. Additionally, the Company determined that the convertible preferred stock would be recorded as permanent equity, not temporary equity, given that they are not redeemable for cash or other assets (i) on a fixed or determinable date, (ii) at the option of the holder, and (iii) upon the occurrence of an event that is not solely within control of the Company. The Company has also evaluated the embedded conversion and contingent redemption features within the convertible preferred stock in accordance with the accounting guidance for derivatives and determined that bifurcation is not required for any embedded feature.

Beneficial Conversion Feature— The fair value of the common stock into which the Series X convertible preferred stock is convertible exceeded the allocated purchase price of the Series X convertible preferred stock by $5.6 million on the date of issuance, as such the Company recorded a deemed dividend. The Company recognized the resulting beneficial conversion feature as a deemed dividend equal to the number of shares of Series X convertible preferred stock sold on February 16, 2017 multiplied by the difference between the fair value of the common stock and the Series X convertible preferred stock effective conversion price per share on that date. The dividend was reflected as a one-time, non-cash, deemed dividend to the holders of Series X convertible preferred stock on the date of issuance, which is the date the stock first became convertible. There was no beneficial conversion feature associated with the issuance of Series Y convertible preferred stock.

Series A Preferred Stock

On December 15, 2020, the Company sold 984,000 shares of its 8.625% Series A cumulative, perpetual preferred stock at the price of $25.00 per share, through a public offering for aggregate gross proceeds of $24.6 million. Total offering costs of $2.0 million were offset against the proceeds from the sale of Series A Preferred Stock, for total net proceeds of $22.6 million.

Mr. Matthew Perry, a member of the Company's Board of Directors and President of BVF, purchased 200,000 shares of Series A Preferred Stock in the public offering at the public offering price of $25.00 per share for an aggregate amount of $5.0 million. The spouse of James Neal, the Company's Chief Executive Officer and a director, purchased 8,000 shares of the Series A Preferred Stock in the public offering at the public offering price of $25.00 per share for an aggregate amount of $0.2 million.

On March 17, 2021, the Company's Board of Directors declared a cash dividend of $0.71875 per share payable to holders of Series A Preferred Stock, which the Company paid on April 15, 2021. As of March 31, 2021, the Company held restricted cash of $ 2.1 million in a segregated account that may only be used to pay dividends on the Series A Preferred Stock.

The Series A Preferred Stock has the following characteristics, which are set forth in the Certificate of Designation of Preferences, Rights and Limitations filed with the Delaware Secretary of State.

Dividends— Holders of the Series A Preferred Stock shall be entitled to receive, when, and if authorized by the Board of Directors and declared by the Corporation, cumulative cash dividends at the rate of 8.625% per annum of the $25.00 liquidation preference per share of the Series A Preferred Stock. Such dividends will accumulate and be cumulative from, and including, the date of original issue of the Series A Preferred Stock. Dividends will be payable in arrears on or about the 15th day of January, April, July and October of each year beginning on or about April 15, 2021. The amount of any dividend payable on the Series A Preferred Stock for any period greater or less than a full Dividend Period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months.

Liquidation Rights— In the event of the Company's liquidation, dissolution or winding up, holders of Series A Preferred Stock will rank senior to all classes or series of common stock as to dividend rights and rights upon liquidation, dissolution or winding-up and on parity with respect to the distribution of assets with the Company's Series X Preferred Stock. The Series A Preferred Stock have a par value of $0.05 per share and a liquidation preference of $25.00 per share plus any accrued and unpaid dividends.

Redemption and Special Optional Redemption— The Company, at its option, may redeem the Series A Preferred Stock, in whole or in part, at any time for a cash redemption price, plus any accrued and unpaid dividends, as follows: (i) $26.00 per share between December 15, 2021 and December 15, 2022, (ii) $25.75 per share between December 15, 2022 and December 15, 2023, (iii) $25.50 per share between December 15, 2023 and December 15, 2024 (iv) $25.25 per share between December 15, 2024 and December 15, 2025 and $25.00 per share on or after December 15, 2025. The Company also has a special optional redemption option whereby,upon the occurrence of a delisting event or change of control event, the Company may redeem outstanding Series A Preferred Stock at an amount of $25.00 per share.

Conversion— The shares of Series A Preferred Stock are not convertible into or exchangeable for any other property or securities of the Company except upon the occurrence of a delisting event or change in control event and the Company has not, on or before the date of such an event, provided the required notice of its election to redeem the Series A Preferred Stock pursuant to its redemption right or special optional redemption right. In this case, the holder of shares of Series A Preferred Stock can convert some or all of their Series A Preferred Stock into a number of shares of common stock per share equal to the lesser of (A) (i) the sum of the $25.00 liquidation preference per share of Series A Preferred Stock to be converted plus (y) the amount of any accrued and unpaid dividends to, but not including, the event date, as applicable by (ii) the common stock price and (B) 1.46071 (the "Share Cap"). The common stock price to be used in the latter noted calculation for a delisting event will be the average of the closing price per share of the Company's common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the delisting event. The common stock price used in the event of a change in control event will, alternatively, be based on market price according to the definition in the Certificate of Designation.

Voting Rights— Holders of the Series A Preferred Stock generally will have no voting rights, but will have limited voting rights if the issuer fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events.

Classification—The Company evaluated the convertible preferred stock for liability or equity classification under the applicable accounting guidance and determined that treatment as equity was appropriate.

BVF Ownership

In February 2020, BVF elected to increase the beneficial ownership limitation of the Series Y preferred stock to50%, which became effective on April 11, 2020. On April 15, 2020, BVF converted all of its shares of Series Y preferred stock into common stock. As of March 31, 2021, BVF owned approximately 31.4% of the Company's total outstanding shares of common stock, and if all the Series X convertible preferred shares were converted, BVF would own 52.5% of the Company's total outstanding shares of common stock. The Company's Series A Preferred Stock becomes convertible upon the occurrence of specific events and as of March 31, 2021 the contingency was not met. Due to its significant equity ownership, BVF is considered a related party of the Company.

2018 ATM Agreement

On December 18, 2018, the Company entered into an At The Market Issuance Sales Agreement (the "2018 ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW"), under which the Company may offer and sell from time to time at its sole discretion shares of its common stock through HCW as its sales agent, in an aggregate amount not to exceed $30.0 million. HCW may sell the shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act, and will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the shares up to the amount specified. The Company will pay HCW a commission of up to 3% of the gross proceeds of any shares of common stock sold under the 2018 ATM Agreement. On March 10, 2021, the Company amended the 2018 ATM Agreement with HCW to increase the aggregate amount of shares of its common stock that it could sell through HCW as its sales agent to $50.0 million. No shares have been sold under the 2018 ATM Agreement since the agreement was executed.

13. Income Taxes

The Company recorded an income tax benefit of $1.5 million for the three months ended March 31, 2020 and no income tax provision for the three months ended March 31, 2021. The Company continues to maintain a full valuation allowance against its remaining net deferred tax assets. During the three months ended March 31, 2021 the Company received $1.5 million in cash for its income tax receivable.

The Company has a total of $5.9 million of gross unrecognized tax benefits, none of which would affect the effective tax rate upon realization. The Company currently has a full valuation allowance against its U.S. net deferred tax assets, which would impact the timing of the effective tax rate benefit should any of these uncertain tax positions be favorably settled in the future.

The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Through March 31, 2021, the Company has not accrued interest or penalties related to uncertain tax positions.

14. Subsequent Events

Public Offering of Depositary Shares

On April 9, 2021, the Company closed a public offering of 1,600,000 depositary shares, each representing a $1/1000^{th}$ fractional interest in a share of the Company's Series B Preferred Stock at the price of $25.00 per depositary share. Total gross proceeds from the offering were $40.0 million. Total offering costs of approximately $2.8 million were offset against the proceeds from the sale of depositary shares, for net proceeds of approximately $37.2 million. The spouse of James Neal, the Chief Executive Officer and a director, purchased 8,000 shares of the depositary shares in the public offering at the public offering price of $25.00 per share for an aggregate amount of $200,000. Thomas Burns, the Senior Vice President of Finance and Chief Financial Officer, purchased 1,000 shares of the depositary shares in the public offering at the public offering price of $25.00 per share for an aggregate amount of $25,000.

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

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to them. In some cases you can identify forward-looking statements by words such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," "intend" and similar expressions intended to identify forward-looking statements. Examples of these statements include, but are not limited to, statements regarding: our future operating expenses, our future losses, the success of our strategy as a royalty aggregator, extent to which our issued and pending patents may protect our products and technology, the potential of our existing product candidates to lead to the development of commercial products, our ability to receive potential milestone or royalty payments under license and collaboration agreements and the timing of receipt of those payments, and the impact of the recent and evolving COVID-19 pandemic. These statements are based on assumptions that may not prove accurate. Actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for our licensees engaged in the development of new products in a regulated market. Among other things: our product candidates subject to our out-license agreements are still being developed, and our licensees' may require substantial funds to continue development which may not be available; we may not be successful in entering into out-license agreements for our product candidates; if our therapeutic product candidates do not receive regulatory approval, our third-party licensees will not be able to manufacture and market them; products or technologies of other companies may render some or all of our product candidates noncompetitive or obsolete; we do not know whether there will be, or will continue to be, a viable market for the products in which we have an ownership or royalty interest; even once approved, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be voluntarily taken off the market; we and our licensees are subject to various state and federal healthcare related laws and regulations that may impact the commercialization of our product candidates and could subject us to significant fines and penalties; and certain of our technologies are in-licensed from third parties, so our capabilities using them are restricted and subject to additional risks. These and other risks, including those related to current economic and financial market conditions, are contained principally in Part II, Item 1A of this Quarterly Report on Form 10-Q and our other filings with the SEC. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from those we expect. Except as required by law, we assume no obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with the audited consolidated financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

XOMA Corporation ("XOMA"), a Delaware corporation, is a biotech royalty aggregator. We have a sizable portfolio of economic rights to future potential milestone and royalty payments associated with partnered pre-commercial therapeutic candidates. Our portfolio was built through licensing our proprietary products and platforms from our legacy discovery and development business, combined with acquisitions of rights to future milestones and royalties that we have made since our royalty aggregator business model was implemented in 2017. Our drug royalty aggregator business is focused on early to mid-stage clinical assets primarily in Phase 1 and 2 with blockbuster potential licensed to large-cap partners. We expect that most of our future revenue will be based on payments we may receive for milestones and royalties related to these programs.

Recent Business Developments

Public Offering of Depositary Shares

In April 2021, we closed a public offering of 1,600,000 depositary shares, each representing a 1/1000th fractional interest in a share of our 8.375% Series B cumulative, perpetual preferred stock ("Series B Preferred Stock") at the price of $25.00 per depositary share. Total gross proceeds from the offering were $40.0 million. Total offering costs of approximately $2.8 million were offset against the proceeds from the sale of depositary shares, for net proceeds of approximately $37.2 million.

Viracta Royalty Purchase Agreement

On March 22, 2021, we entered into a royalty purchase agreement (the "Viracta Royalty Purchase Agreement") with Viracta Therapeutics, Inc. ("Viracta"). Under the Viracta Royalty Purchase Agreement, we purchased from Viracta the right to receive future royalties, milestones, and other payments related to two clinical stage drug candidates. The first candidate, DAY101 (pan-RAF kinase inhibitor), is being developed by Day One Biopharmaceuticals, and the second candidate, vosaroxin (topoisomerase II inhibitor), is being developed by Denovo Biopharma. Under the terms of the Viracta Royalty Purchase Agreement, we paid Viracta $13.5 million upon closing of the transaction. Under the Viracta Royalty Purchase Agreement, we acquired the right to receive (i) royalties on potential sales related to DAY101, if approved, up to $54.0 million in potential milestones, and other payments related to DAY101 excluding up to $20.0 million consideration retained by Viracta; and (ii) royalties on potential sales related to vosaroxin, if approved, and up to $57.0 million in potential regulatory and commercial milestones, subject to certain payment provisions to a third party.

Portfolio Updates

On April 15, 2021, we announced our portfolio of potential future milestone and royalty assets had increased with the addition of three Affimed N.V. innate cell engager programs ("ICE"). We are eligible to receive royalty payments on future commercial sales of each of the three ICE molecules and milestones for each program achieving marketing approval.

On May 3, 2021, we announced we earned a $0.5 million milestone from Janssen Biotech, Inc. (Janssen), as a result of the first patient dosed in a Phase 3 clinical trial evaluating one of Janssen's biologic assets, cetrelimab.

COVID-19

The COVID-19 pandemic continues to pose risks to our business as clinical trials industry-wide have slowed. Our business is dependent on the continued development and commercialization efforts of our licensees and our royalty agreement counterparties and their licensees. We have been monitoring and continue to monitor our portfolio programs for potential delays in underlying research programs and elections of our partners to continue or cease development. Delays in clinical trials and underlying research programs may lead to delayed revenue from milestones from our licensees and royalty agreement counterparties or, if certain research programs are discontinued, we may recognize impairment charges for our royalty receivables. COVID-19, the related variants, and the timing of vaccine distribution may impact our underlying programs in a variety of ways which are unknown in length and scope at this time.

Critical Accounting Policies

Critical accounting policies are those that require significant judgment and/or estimates by management at the time that the financial statements are prepared such that materially different results might have been reported if other assumptions had been made. We consider certain accounting policies including those related to legal contingencies, revenue recognition under units-of-revenue method and stock-based compensation to be critical policies. There have been no significant changes in our critical accounting policies during the three months ended March 31, 2021, as compared with those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

Our significant accounting policies are included in "Part I - Item 1 – Condensed Consolidated Financial Statements - Note 2 – Basis of Presentation and Significant Accounting Policies."

Results of Operations

Revenues

Total revenues for the three months ended March 31, 2021 and 2020, were as follows (in thousands):

	Three Months Ended March 31,		
	2021	2020	Change
Revenue from contracts with customers	$ 19	$ 500	$ (481)
Revenue recognized under units-of-revenue method	356	304	52
Total revenues	$ 375	$ 804	$ (429)

Revenue from Contracts with Customers

Revenue from contracts with customers includes upfront fees, milestone payments and royalties related to the out-licensing of our product candidates and technologies. The decrease for the three months ended March 31, 2021, as compared to the same period in 2020, was primarily due to $0.5 million in revenue recognized in the first quarter of 2020 related to a milestone event under our license agreement with Compugen.

The generation of future revenues related to licenses, milestones, and royalties is dependent on the achievement of milestones or product sales by our existing licensees. Due to the impact of COVID-19 on clinical trial activities of our licensees, potential milestone payments may be delayed.

Revenue recognized under units-of-revenue method

Revenues recognized under the units-of-revenue method include the amortization of unearned revenue from the sale of royalty interests to HealthCare Royalty Partners II, L.P ("HCRP") in 2016. The increase in revenues for the three months ended March 31, 2021, as compared to the same period in 2020, was primarily due to the increase in sales of products underlying the agreements with HCRP.

Research and Development Expenses

Research and development ("R&D") expenses were $61,000 for the three months ended March 31, 2021, which was consistent with $62,000 for the same period in 2020.

We do not expect to incur substantial R&D expenses in 2021 due to the focus on our royalty aggregator business model.

General and Administrative Expenses

General and administrative ("G&A") expenses include salaries and related personnel costs, professional fees, and facilities costs. G&A expenses were $6.7 million for the three months ended March 31, 2021, compared with $6.4 million for the same period in 2020. The increase of $0.3 million for the three months ended March 31, 2021, as compared to the same periods of 2020, was primarily due to a $1.4 million increase in salary and related expenses (including an increase of $1.1 million in non-cash stock compensation expense) and $0.3 million increase in consulting and deal costs, partially offset by a $1.4 million decrease in bad debt expense.

To support our royalty aggregator business model, we engage third parties to assist in our evaluation of potential acquisitions of milestone and royalty streams. While we expect our personnel related costs to be comparable in 2021 with

2020, consulting expenses may increase in response to an increase in the volume of acquisition targets evaluated or completed.

Other Income (Expense)

Interest Expense

Amortization of debt issuance costs and discounts are included in interest expense. Interest expense is shown below for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,		
	2021	2020	Change
SVB loan	$ 238	$ 383	$ (145)
Novartis note	51	158	(107)
Other	—	1	(1)
Total interest expense	$ 289	$ 542	$ (253)

The decrease in interest expense for the three months ended March 31, 2021 as compared with the same period of 2020 is primarily due to lower interest rates and decreased loan balances. If market interest rates increase in the near term, or if we elect to obtain additional financing, our interest expense may increase.

Other Income (Expense), Net

The following table shows the activity in other income (expense), net for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,		
	2021	2020	Change
Other expense, net			
Change in fair value of equity securities	$ (672)	$ (273)	$ (399)
Investment income	10	147	(137)
Other	5	—	5
Total other expense, net	$ (657)	$ (126)	$ (531)

We own equity securities consisting of shares of Rezolute's common stock which are remeasured at fair value at each reporting period. During the three months ended March 31, 2021 and 2020 we remeasured the fair value of the equity securities and recognized losses of $0.7 million and losses of $0.3 million, respectively. Investment income decreased during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 due to decreased interest rates received on our cash balances.

Provision for Income Taxes

We recorded an income tax benefit of $1.5 million for the three months ended March 31, 2020 as a result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act which was enacted on March 27, 2020. The CARES Act includes a five-year net operating loss ("NOL") carryback provision which enabled us to recognize the tax benefits on the carry back of our net operating losses from 2018 to offset income in 2017. During the three months ended March 31, 2021, we received $1.5 million in cash for our income tax receivable. We made no tax provision for the three months ended March 31, 2021 since we incurred net operating losses. We continue to maintain a full valuation allowance against our remaining net deferred tax assets.

Liquidity and Capital Resources

The following table summarizes our cash, working capital and cash flow activities for each of the periods presented (in thousands):

	March 31, 2021	December 31, 2020	Change
Cash	$ 67,808	$ 84,222	$ (16,414)
Working capital	$ 57,143	$ 75,763	$ (18,620)

	Three Months Ended March 31,		
	2021	2020	Change
Net cash used in operating activities	$ (914)	$ (2,280)	$ 1,366
Net cash used in investing activities	(13,500)	—	(13,500)
Net cash used in financing activities	(2,000)	(1,096)	(904)
Net decrease in cash	$ (16,414)	$ (3,376)	$ (13,038)

Cash Used in Operating Activities

Net cash used in operating activities for the three months ended March 31, 2021 of $0.9 million was primarily due to the $7.4 million net loss incurred, partially offset by stock-based compensation expense of $2.9 million, change in assets and liabilities of $2.6 million which includes $1.5 million in cash refund for income tax receivables and a change in fair value of equity securities of $0.7 million. The net cash used in operating activities in 2020 of $2.3 million was primarily due to the $4.8 million net loss incurred, partially offset by stock-based compensation expense of $1.8 million.

Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2021 of $13.5 million was dueto the $13.5 million payment pursuant to Viracta Royalty Purchase Agreement executed in March 2021.

Cash Used in Financing Activities

Net cash used in financing activities for the three months ended March 31, 2021 of $2.0 million was primarily related to principal payments of debt.

Net cash used in financing activities for the three months ended March 31, 2020 of $1.1 million was primarily related to the $0.9 million in debt principal payments under the Silicon Valley Bank (“SVB”) loan agreements and $0.2 million payment of issuance costs related to the rights offering completed in 2019.

Public Offering of Series A Preferred Shares

In December 2020, we sold 984,000 shares of 8.625% Series A cumulative, perpetual preferred stock (the “Series A Preferred Stock”) at the price of $25.00 per share, through a public offering for aggregate gross proceeds of $24.6 million. Total offering costs of $2.0 million were offset against the proceeds from the sale of Series A Preferred Stock, for net proceeds of $22.6 million. Holders of our Series A Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.625% of the $25.00 liquidation preference per year (equivalent to $2.15625 per share of Series A Preferred Stock per year). Dividends on the Series A Preferred Stock will accumulate and be cumulative from, and including, the date of original issue by us of the Series A Preferred Stock. Dividends will be payable in arrears on or about the 15th day of January, April, July and October beginning on or about April 15, 2021. As of March 31, 2021, we held restricted cash of $2.1 million in a segregated account that may only be used to pay dividends on the Series A Preferred Stock.

On March 17, 2021, our Board of Directors declared the initial quarterly dividend to be paid in cash at a rate of $0.71875 per share to holders of record of the Series A Preferred Stock as of April 2, 2021. The dividend was paid on April 15, 2021.

Public Offering of Depositary Shares

In April 2021, we closed a public offering of 1,600,000 depositary shares, each representing a 1/1000th fractional interest in a share of our Series B Preferred Stock at the price of $25.00 per depositary share. Total gross proceeds from the offering were $40.0 million. Total offering costs of approximately $2.8 million were offset against the proceeds from the sale of depositary shares, for net proceeds of approximately $37.2 million.

Holders of depositary shares representing interests in the Series B Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.375% of the $25,000 liquidation preference per share of Series B Preferred Stock ($25.00 per depositary share) per year (equivalent to $2,093.75 per year or $2.09375 per depositary share). Dividends on the Series B Preferred Stock will accumulate and be cumulative from, and including, the date of original issue by us of the Series B Preferred Stock. Dividends will be payable in arrears on or about the 15th day of January, April, July and October beginning on or about July 15, 2021. Of the proceeds, $3.4 million is held as restricted cash in a segregated account that may only be used to pay dividends on the Series B Preferred Stock underlying the depositary shares.

Silicon Valley Bank Loan Agreement

Under our Loan Agreement with SVB, upon our request, SVB made advances available to us up to $20.0 million. In March 2019, we and SVB amended the Loan Agreement to extend the draw period from March 31, 2019 to March 31, 2020. Our draw period lapsed on March 31, 2020 with no further extension. In connection with the amendment in March 2019, we issued a second warrant to SVB which is exercisable in whole or in part for up to an aggregate of 4,845 shares of common stock with an exercise price of $14.71 per share. The warrant may be exercised on a cashless basis and is exercisable within 10 years from the date of issuance or upon the consummation of certain acquisitions of XOMA. As of March 31, 2021, we had an outstanding principal balance of $10.1 million under the Loan Agreement, and a net carrying value of $9.8 million, $7.2 million of which was classified as current portion of long-term debt.

2018 ATM Agreement

On December 18, 2018, we entered into an At The Market Issuance Sales Agreement (the "2018 ATM Agreement") with H.C. Wainwright & Co., LLC ("HCW"), under which we may offer and sell from time to time at our sole discretion shares of our common stock through HCW as our sales agent, in an aggregate amount not to exceed $30.0 million. HCW may sell the shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act, and will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the shares up to the amount specified. We are required to pay HCW a commission of up to 3% of the gross proceeds of any shares of common stock sold under the 2018 ATM Agreement. On March 10, 2021, we amended the 2018 ATM Agreement with HCW to increase the aggregate amount of shares of our common stock that we could sell through HCW as our sales agent to $50.0 million. We have not sold any shares of common stock under the 2018 ATM Agreement.

* * *

We have incurred significant operating losses since our inception and have an accumulated deficit of $1.2 billion as of March 31, 2021. As of March 31, 2021, we had $67.8 million and $2.1 million in unrestricted and restricted cash, which we anticipate will enable us to maintain our operations for a period of at least 12 months following the filing date of this report.

We have taken and continue to take steps to manage our resources by reducing and/or deferring certain discretionary expenditures to mitigate the adverse impact of the COVID-19 pandemic. Future impacts of COVID-19, related variants, and vaccine distribution may require further actions to improve our cash position, which may include

reducing or delaying acquisitions of additional royalty and milestone rights or obtaining additional funds through debt arrangements, the 2018 ATM Agreement, or other equity issuances. Our ability to raise additional capital in the equity and debt markets, should we choose to do so, is dependent on a number of factors, including, but not limited to, the market demand for our common stock, which itself is subject to a number of development and business risks and uncertainties, our creditworthiness and the uncertainty that we would be able to raise such additional capital at a price or on terms that are favorable to us. In addition, our ability to raise additional funds may be adversely impacted by deteriorating global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic.

Changes in Commitments and Contingencies

Our commitments and contingencies were reported in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC. There have been no material changes from the commitment and contingencies previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Off-balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

We have established disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act. Our Chief Executive Officer and our Chief Financial Officer have concluded, based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control

There have been no changes in our internal controls over financial reporting as defined in Rule 13a-15(f) under the Exchange Act during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. While COVID-19 has resulted in our staff operating remotely, our established internal control structure is not impacted. As we continue to monitor and adapt to the changing environment due to COVID-19 and the related possibility of a cybersecurity impact, including a security breach or cyber-attack, we will continue to evaluate our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

This Quarterly Report on Form 10-Q contains forward-looking information based on our current expectations. Because our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our actual future results, including our revenues, expenses, operating results, cash flows and net loss per share. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. You should carefully consider these risk factors, together with all of the other information included in this Quarterly Report on Form 10-Q as well as our other publicly available filings with the U.S. Securities and Exchange Commission, or SEC.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2020.

Risk Factors Summary

Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks and uncertainties that we face. Additional discussion of the risks and uncertainties summarized in this risk factor summary, as well as other risks and uncertainties that we face, can be found under "Risk Factors" below. The below summary is qualified in its entirety by that more complete discussion of such risks and uncertainties. You should consider carefully the risks and uncertainties described under "Risk Factors" below as part of your evaluation of the risks associated with an investment in our securities.

- The COVID-19 pandemic has adversely impacted and could materially and adversely impact in the future our licensees or royalty-agreement counterparties or their licensees, which could cause delays or elimination of our receipts of potential milestones and royalties under our licensing or royalty and milestone acquisition arrangements.

- Our acquisitions of potential future royalty and/or milestone payments may not produce anticipated revenues and/or may be negatively affected by a default or bankruptcy of the licensor(s) or licensee(s) under the applicable license agreement(s) covering such potential royalties and/or milestones, and if such transactions are secured by collateral, we may be, or may become, under-secured by the collateral or such collateral may lose value and we will not be able to recuperate our capital expenditures associated with the acquisition.

- Many of our potential royalty acquisitions may be associated with drug products that are in clinical development and have not yet been commercialized. To the extent that such products are not successfully developed and commercialized, our financial condition and results of operations may be negatively impacted. Acquisitions of potential royalties associated with development stage biopharmaceutical product candidates are subject to a number of uncertainties.

- We depend on our licensees and royalty-agreement counterparties for the determination of royalty and milestone payments. While we typically have primary or back-up rights to audit our licensees and royalty-agreement counterparties, the independent auditors may have difficulty determining the correct royalty calculation, we may not be able to detect errors and payment calculations may call for retroactive adjustments. We may have to exercise legal remedies, if available, to resolve any disputes resulting from any such audit.

- The lack of liquidity of our acquisitions of future potential milestones and royalties may adversely affect our business and, if we need to sell any of our acquired assets, we may not be able to do so at a favorable price, if at all. As a result, we may suffer losses. We have sustained losses in the past, and we expect to sustain losses in the foreseeable future.

- Our royalty aggregator strategy may require that we register with the SEC as an "investment company" in accordance with the Investment Company Act of 1940. If we were to become an "investment company" and be subject to the restrictions of the 1940 Act, those restrictions would likely require significant changes in the way we do business and add significant administrative burdens to our operations.

- Our royalty aggregator strategy may require us to raise additional funds to acquire milestone and royalty interests; we cannot be certain that funds will be available or available at an acceptable cost of capital, and if they are not available, we may be unsuccessful in acquiring milestone and royalty interests to sustain the business in the future.

- We have significantly restructured our business and revised our business plan and there are no assurances that we will be able to successfully implement our revised business plan or successfully operate as a royalty aggregator.

- Information available to us about the biopharmaceutical products underlying the potential royalties we buy may be limited and therefore our ability to analyze each product and its potential future cash flow may be similarly limited.

- Our future income is dependent upon numerous potential milestone and royalty-specific assumptions and, if these assumptions prove not to be accurate, we may not achieve our anticipated rates of returns.

- Reductions or declines in income from potential milestones and royalties, or significant reductions in potential milestone or royalty payments compared to expectations, or impairments in the value of potential milestones and royalties acquired could have a material adverse effect our financial condition and results of operations.

- A large percentage of the calculated net present value of our portfolio is represented by a limited number of products. The failure of any one of these products to move forward in clinical development or commercialization may have a material adverse effect on our financial condition and results of operation.

- We rely heavily on license and collaboration relationships, and any disputes or litigation with our licensees, collaborators and their partners or termination or breach of any of the related agreements could reduce the financial resources available to us, including our ability to receive milestone payments and future potential royalty and other revenues. At any given time, we may be engaged in discussions with our licensees or collaborators regarding the interpretation of the payment and other provisions relating to products as to which we have milestones and potential royalty or other payment rights. Should any such discussions result in a disagreement regarding a particular product that cannot be resolved satisfactorily to us, we may end up being paid less than anticipated on such product which could materially adversely affect our financial condition, results of operation and future prospects.

- Our potential milestone and royalty providers may rely on third parties to provide services in connection with their product candidate development and manufacturing programs. The inadequate performance by or loss of any of these service providers could affect our potential milestone and royalty providers' product candidate development.

- Certain of our technologies are in-licensed from third parties, so our and our licensees' capabilities using them may be restricted and subject to additional risks.

- Because many of the companies with which we do business also are in the biotechnology sector, the volatility of that sector can affect us indirectly as well as directly.

- We may not be able to successfully identify and acquire potential milestone and royalty streams on other products, product candidates, or programs, or other companies to grow and diversify our business, and, even if we are able to do so, we may not be able to successfully manage the risks associated with integrating any such products, product candidates, programs or companies into our business or we may otherwise fail to realize the anticipated benefits of these acquisitions.

- If our potential royalty providers' therapeutic product candidates do not receive regulatory approval, our potential royalty providers will be unable to market them.

- Our potential milestone and royalty providers face uncertain results of clinical trials of product candidates.

- Our potential royalty providers may be unable to price their products effectively or obtain coverage and adequate reimbursement for sales of their products, which would prevent our licensees and potential royalty providers' products from becoming profitable and negatively affect the royalties we may receive.

- We do not know whether there will be, or will continue to be, a viable market for the product candidates in which we have an ownership, milestone or royalty interest.

- If we and our potential royalty providers are unable to protect our intellectual property, in particular patent protection for principal products, product candidates and processes in which we have an ownership or royalty interest, and prevent the use of the covered subject matter by third parties, our potential royalty providers' ability to compete in the market will be harmed, and we may not realize our profit potential.

- We have a continuing obligation to pay quarterly dividends to holders of our Series A Preferred Stock and holders of depositary shares representing interests in our Series B Preferred Stock, which will be an on-going expenditure for us and may limit our ability to borrow additional funds.

Risks Related to our Royalty Aggregator Strategy

The COVID-19 pandemic has adversely impacted and could materially and adversely impact in the future our licensees or royalty-agreement counterparties or their licensees, which could cause delays or elimination of our receipts of potential milestones and royalties under our licensing or royalty and milestone acquisition arrangements.

In March 2020, COVID-19, the disease caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization. The pandemic has severely affected global economic activity and resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines and travel bans, intended to control the spread of the virus.

The COVID-19 pandemic has adversely impacted and could materially and adversely impact in the future our licensees or royalty-agreement counterparties or their licensees, which could cause delays, suspensions or cancellations of their drug development efforts including, without limitation, their clinical trials, which would correspondingly delay, suspend or negate the timing of our potential receipts of milestones and royalties under our out-licensing or royalty acquisition agreements. The disruptions to our licensees or royalty purchase agreement counterparties or their licensees could include, without limitation:

- delays or difficulties in recruiting and enrolling new patients in their clinical trials;

- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;

- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as their clinical trial sites and hospital staff supporting the conduct of their clinical trials;

- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal, state or local governments, employers and others;

- limitations in employee resources that would otherwise be focused on the conduct of their clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people;

- interruption in global shipping that may affect the transport of clinical trial supplies and materials, such as the investigational drug product used in their clinical trials;

- delays in receiving approval from the U.S. Food and Drug Administration ("FDA"), the European Medicines Agency ("EMA") and other U.S. and foreign federal, state and local regulatory authorities to initiate their planned clinical trials or to market their products;

- changes in FDA, state and local regulation (and those of their foreign counterparts if applicable) as part of a response to the COVID-19 pandemic which may change the ways in which clinical trials are conducted or discontinue clinical trials altogether;

- delays in necessary interactions with regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;

- delay in the timing of other interactions with the FDA due to absenteeism by federal employees or by the diversion of their efforts and attention to approval of other therapeutics or other activities related to COVID-19; and

- refusal of the FDA to accept data from clinical trials in affected geographies outside the United States or of foreign regulatory authorities to accept data from clinical trials in affected areas outside their applicable countries.

The extent to which the COVID-19 pandemic continues to impact our business and prospects and the overall economies of the United States and other countries will depend on numerous evolving factors, which are highly uncertain and cannot be predicted with confidence, such as the duration and scope of the pandemic, mutations in the COVID-19 virus, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

The COVID-19 pandemic continues to pose risks to our business, including at our headquarters in Emeryville, California, which has in the past been subject to local and statewide "stay-at-home" orders issued by Alameda County and the Governor of the State of California, as well as the business or operations of our partners and other third parties with whom we conduct business.

The COVID-19 pandemic has resulted in extended travel and other continued restrictions in order to reduce the spread of the disease, including California executive orders, San Francisco Bay Area orders and several other state and local orders across the United States, which, among other things, direct individuals to continue to shelter at their places of residence, direct businesses and governmental agencies to cease non-essential operations at physical locations, prohibit certain non-essential gatherings, and order cessation of non-essential travel. The evolving effects of the COVID-19 pandemic and restrictive 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 a work-from-home policy for all employees. We have been able to maintain our operations and productivity thus far; however, prolonged working remotely may negatively impact productivity, disrupt our business and delay our 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.

In addition, quarantines, stay-at-home, executive and similar government orders, shutdowns or other restrictions on the conduct of business operations continue to impact personnel at third-party clinical testing sites, manufacturing facilities, and the availability or cost of materials, which could disrupt our licensees' and royalty purchase agreement counterparties and their licensees' supply chains.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the evolving economic impacts brought by, and the duration of, COVID-19 may be difficult to assess or predict, it has already significantly disrupted global financial markets, and may limit our ability to access capital, which could in the

future negatively affect our liquidity. A recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The evolving effects of the COVID-19 pandemic have already resulted in significant disruption of global financial markets. While several of our partners have experienced delays due to the COVID-19 pandemic, we do not yet know the full extent of potential delays or impacts on our business, clinical trials, healthcare systems or the global economy as a whole. However, the effects could continue to have an impact on our operations and could have a material adverse effect on our business, financial condition, results of operations and prospects in future periods.

Our acquisitions of potential future royalty and/or milestone payments may not produce anticipated revenues and/or may be negatively affected by a default or bankruptcy of the licensor(s) or licensee(s) under the applicable license agreement(s) covering such potential royalties and/or milestones, and if such transactions are secured by collateral, we may be, or may become, under-secured by the collateral or such collateral may lose value and we will not be able to recuperate our capital expenditures associated with the acquisition.

We are engaged in a continual review of opportunities to acquire future royalties, milestones and other payments related to drug development and sales as part of our royalty aggregator strategy or to acquire companies that hold royalty assets. Generally, at any time, we seek to have acquisition opportunities in various stages of active review, including, for example, our engagement of consultants and advisors to analyze particular opportunities, technical, financial and other confidential information, submission of indications of interest and involvement as a bidder in competitive auctions. Many potential acquisition targets do not meet our criteria, and for those that do, we may face significant competition for these acquisitions from other royalty buyers and enterprises. Competition for future asset acquisition opportunities in our markets could increase the price we pay for such assets and could reduce the number of potential acquisition targets. The success of our acquisitions is based on our ability to make accurate assumptions regarding the valuation, probability, timing and amount of potential future royalty and milestone payments as well as the viability of the underlying technology and intellectual property. The failure of any of these acquisitions to produce anticipated revenues may materially and adversely affect our financial condition and results of operations.

Some of these acquisitions may expose us to credit risk in the event of a default by or bankruptcy of the licensor(s) or licensee(s) that are parties to the applicable license agreement(s) covering the potential milestone and royalty streams being acquired. In addition, the impact of COVID-19 on the capital markets may limit our licensees or royalty-agreement counterparties' ability to access additional funding. While we generally try to structure our receipt of potential milestone and royalty payments to minimize the risk associated with such a default or bankruptcy, there can be no assurance that any such default or bankruptcy will not adversely affect our ability to receive future potential royalty and/or milestone payments. To mitigate this risk, on occasion, we may obtain a security interest as collateral in such royalty, milestone and other payments. Our credit risk in respect of such counterparty may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount we are due pursuant to the terms of the agreements covering the particular assets. This could occur in circumstances where the original collateral was not sufficient to cover a complete loss (e.g., our interests were only partially secured) or may result from the deterioration in value of the collateral, so that, in either such case, we are unable to recuperate our full capital outlay. Any such losses resulting therefrom could materially and adversely affect our financial condition and results of operations.

Many of our potential royalty acquisitions may be associated with drug products that are in clinical development and have not yet been commercialized. To the extent that such products are not successfully developed and commercialized, our financial condition and results of operations may be negatively impacted. Acquisitions of potential royalties associated with development stage biopharmaceutical product candidates are subject to a number of uncertainties.

As part of our royalty aggregator strategy, we may continue to purchase future potential milestone and royalty streams associated with drug products which are in clinical development and have not yet received marketing approval by any regulatory authority or been commercialized. There can be no assurance that the FDA, the EMA or other regulatory authorities will approve such products or that such products will be brought to market timely or at all, or that the market will be receptive to such products. To the extent that any such drug products are not successfully developed and subsequently commercialized, the value of our acquired potential milestone and royalty streams will be negatively affected. The ultimate success of our royalty aggregator strategy will depend on our ability to properly identify and acquire high

quality products and the ability of the applicable counterparty to innovate, develop and commercialize their products, in increasingly competitive and highly regulated markets. Their inability to do so would negatively affect our ability to receive royalty and/or milestone payments. In addition, we are dependent, to a large extent, on third parties to enforce certain rights for our benefit, such as protection of a patent estate, adequate reporting and other protections, and their failure to do so would presumably negatively impact our financial condition and results of operations.

If the FDA, the EMA or other regulatory authority approves a development-stage product candidate that generates our royalty, the labeling, packaging, adverse event reporting, storage, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. The subsequent discovery of previously unknown problems with the product, including adverse events of unanticipated severity or frequency, may result in restrictions on the marketing of the product, and could include withdrawal of the product from the market.

In addition, the developers of these development-stage product candidates may not be able to raise additional capital to continue their discovery, development and commercialization activities, which may cause them to delay, reduce the scope of, or eliminate one or more of their clinical trials or research and development programs. If other product developers introduce and market products that are more effective, safer, less invasive or less expensive than the relevant products that generate our royalties, or if such developers introduce their products prior to the competing products underlying our royalties, such products may not achieve commercial success and thereby result in a loss for us.

Further, the developers of such products may not have sales, marketing or distribution capabilities. If no sales, marketing or distribution arrangements can be made on acceptable terms or at all, the affected product may not be able to be successfully commercialized, which will result in a loss for us. Losses from such assets could have a material adverse effect on our business, financial condition and results of operations.

We intend to continue, and may increase, this strategy of acquiring development-stage product candidates. While we believe that we can readily evaluate and gain conviction about the likelihood of a development-stage product candidate's approval and achieving significant sales, there can be no assurance that our assumptions will prove correct, that regulatory authorities will approve such development-stage product candidates, that such development-stage product candidates will be brought to market timely or at all, or that such products will achieve commercial success.

We have significantly restructured our business and revised our business plan and there are no assurances that we will be able to successfully implement our revised business plan or successfully operate as a royalty aggregator.

We have historically been focused on discovering and developing innovative therapeutics derived from our unique platform of antibody technologies. We have now become a royalty aggregator where we focus on expanding our pipeline of fully-funded programs by out-licensing our internally developed product candidates and acquiring potential milestone and royalty revenue streams on additional third-party drug product candidates. Our strategy is based on a number of factors and assumptions, some of which are not within our control, such as the actions of third parties. There can be no assurance that we will be able to successfully execute all or any elements of our strategy, or that our ability to successfully execute our strategy will be unaffected by external factors. If we are unsuccessful in acquiring potential milestone and royalty revenue streams on additional drug product candidates, or those acquisitions do not perform to our expectations, our financial performance and balance sheet could be adversely affected.

Risks Related to our Industry

Biopharmaceutical products are subject to sales risks.

Biopharmaceutical product sales may be lower than expected due to a number of reasons, including pricing pressures, insufficient demand, product competition, failure of clinical trials, lack of market acceptance, obsolescence, loss of patent protection, the impact of the COVID-19 global pandemic or other factors and development-stage product candidates may fail to reach the market. Unexpected side effects, safety or efficacy concerns can arise with respect to a product, leading to product recalls, withdrawals or declining sales. As a result, payments of our future potential milestones and/or royalties may be reduced or cease. In addition, these potential payments may be delayed, causing our near-term financial performance to be weaker than expected.

Biopharmaceutical products are subject to substantial competition.

The biopharmaceutical industry is a highly competitive and rapidly evolving industry. The length of any product's commercial life cannot be predicted with certainty. There can be no assurance that one or more products on which we are entitled to a potential milestone or royalty will not be rendered obsolete or non-competitive by new products or improvements on which we are not entitled to a potential milestone or royalty, either by the current marketer of such products or by another marketer. Current marketers of products may undertake these development efforts in order to improve their products or to avoid paying our royalty. Adverse competition, obsolescence or governmental and regulatory action or healthcare policy changes could significantly affect the revenues, including royalty-related revenues, of the products which generate our potential milestones and royalties.

Competitive factors affecting the market position and success of each product include:

- effectiveness;
- safety and side effect profile;
- price, including third-party insurance reimbursement policies;
- timing and introduction of the product;
- effectiveness of marketing strategy and execution;
- governmental regulation;
- availability of lower-cost generics and/or biosimilars;
- treatment innovations that eliminate or minimize the need for a product; and
- product liability claims.

Biopharmaceutical products that have the potential to generate future milestones and royalties for us may be rendered obsolete or non-competitive by new products, including generics and/or biosimilars, improvements on existing products or governmental or regulatory action. In addition, as biopharmaceutical companies increasingly devote significant resources to innovate next-generation products and therapies using gene editing and new curative modalities, such as cell and gene therapy, products on which we have a milestone or royalty rights may become obsolete. These developments could have a material adverse effect on the sales of the biopharmaceutical products that have potential to generate our milestones and royalties, and consequently could materially adversely affect our business, financial condition and results of operations.

We depend on our licensees and royalty-agreement counterparties for the determination of royalty and milestone payments. While we typically have primary or back-up rights to audit our licensees and royalty-agreement counterparties, the independent auditors may have difficulty determining the correct royalty calculation, we may not be able to detect errors and payment calculations may call for retroactive adjustments. We may have to exercise legal remedies, if available, to resolve any disputes resulting from any such audit.

The royalty and milestone payments we may receive are dependent on our licensees and royalty agreement counterparties and their licensees' achievement of regulatory and developmental milestones and product sales. Each licensee's calculation of the royalty payments is subject to and dependent upon the adequacy and accuracy of its sales and accounting functions, and errors may occur from time to time in the calculations made by a licensee and/or a licensee may fail to report the achievement of royalties or milestones in whole or in part. Our license and royalty agreements typically provide us the primary or back-up right to audit the calculations and sales data for the associated royalty payments; however, such audits may occur many months following our recognition of the royalty revenue, may require us to adjust

our royalty revenues in later periods and may require expense on our part. Further, our licensees and royalty-agreement counterparties may be uncooperative or have insufficient records, which may complicate and delay the audit process.

Although we intend to regularly exercise our royalty audit rights as necessary and to the extent available, we rely in the first instance on our licensees and royalty-agreement counterparties to accurately report the achievement of milestones and royalty sales and calculate and pay applicable milestones and royalties and, upon exercise of such royalty and other audit rights, we rely on licensees' and royalty-agreement counterparties' cooperation in performing such audits. In the absence of such cooperation, we may be forced to incur expenses to exercise legal remedies, if available, to enforce our agreements.

The lack of liquidity of our acquisitions of future potential milestones and royalties may adversely affect our business and, if we need to sell any of our acquired assets, we may not be able to do so at a favorable price, if at all. As a result, we may suffer losses.

We generally acquire milestone and royalty rights that have limited secondary resale markets and may be subject to transfer restrictions. The illiquidity of most of our milestone and royalty receivable assets may make it difficult for us to dispose of them at a favorable price if at all and, as a result, we may suffer losses if we are required to dispose of any or all such assets in a forced liquidation or otherwise. In addition, if we liquidate all or a portion of our potential future milestone and/or purchased royalty stream interests quickly or relating to a forced liquidation, we may realize significantly less than the value at which we had previously recorded these interests.

Our royalty aggregator strategy may require that we register with the SEC as an "investment company" in accordance with the Investment Company Act of 1940.

The rules and interpretations of the SEC and the courts, relating to the definition of "investment company" are very complex. While we currently intend to conduct our operations so that we will not be an investment company under applicable SEC interpretations, we can provide no assurance that the SEC would not take the position that the Company would be required to register under the Investment Company Act of 1940 (the "'40 Act") and comply with the '40 Act's registration and reporting requirements, capital structure requirements, affiliate transaction restrictions, conflict of interest rules, requirements for disinterested directors, and other substantive provisions. We monitor our assets and income for compliance under the '40 Act and seek to conduct our business activities to ensure that we do not fall within its definitions of "investment company," or that we qualify under one of the exemptions or exclusions provided by the '40 Act and corresponding SEC regulations. If we were to become an "investment company" and be subject to the restrictions of the '40 Act, those restrictions would likely require significant changes in the way we do business and add significant administrative burdens to our operations. To ensure that we do not fall within the '40 Act, we may need to take various actions which we might otherwise not pursue. These actions may include restructuring the Company and/or modifying our mixture of assets and income or a liquidation of certain of our assets.

Our licensees or royalty-agreement counterparties or their licensees could be subject to natural disasters, public health crises, political crises and other catastrophic events that could hinder or disrupt development efforts.

We depend on our licensees and royalty-agreement counterparties and their licensees to successfully develop and commercialize product candidates for which we may receive milestone and royalty payments in the future. Our licensees and royalty-agreement counterparties and their licensees operate research and development efforts in various locations in the United States and internationally. If any of their facilities is affected by natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons, public health crises, such as pandemics and epidemics, political crises, such as terrorism, war, political instability or other conflict, or other events outside of their control, their research and development efforts could be disrupted, which could result in the delay or discontinuation of development of one or more of the product candidates in which we have rights to future milestone and/or royalty payments which could have a material adverse effect on our business operations and prospects.

Because many of the companies with which we do business also are in the biotechnology sector, the volatility of that sector can affect us indirectly as well as directly.

The same factors that affect us directly also can adversely affect us indirectly by affecting the ability of our partners and others with whom we do business to meet their obligations to us and reduce our ability to realize the value of the consideration provided to us by these other companies in connection with their licensing of our products.

Risks Related to our Financial Results and Capital Requirements

We have sustained losses in the past, and we expect to sustain losses in the foreseeable future.

We have incurred significant operating losses and negative cash flows from operations since our inception. Although we generated net income of $13.3 million and positive cash flows from operations of $10.1 million for the year ended December 31, 2020, we had net losses of $2.0 million for the year ended December 31, 2019. As of March 31, 2021, we had an accumulated deficit of $1.2 billion. We do not know whether we will ever achieve sustained profitability or whether cash flow from future operations will be sufficient to meet our needs.

To date, we have financed our operations primarily through the sale of equity securities and debt and royalty interests, and payments received under our collaboration and licensing arrangements. The size of our future net losses will depend, in part, on the rate of our future expenditures and our and our partners' ability to generate revenues. If our partners' product candidates are not successfully developed or commercialized, or if revenues are insufficient following regulatory approval, we will not achieve profitability and our business may fail. Our ability to achieve profitability is dependent in large part on the success of our and our partners' ability to license product candidates, and the success of our partners' development programs, both of which are uncertain. Our success is also dependent on our partners obtaining regulatory approval to market product candidates which may not materialize or prove to be successful.

Our royalty aggregator strategy may require us to raise additional funds to acquire milestone and royalty interests; we cannot be certain that funds will be available or available at an acceptable cost of capital, and if they are not available, we may be unsuccessful in acquiring milestone and royalty interests to sustain the business in the future.*

We may need to commit substantial funds to continue our business, and we may not be able to obtain sufficient funds on acceptable terms, if at all. Any additional debt financing or additional equity that we raise may contain terms that are not favorable to us and/or result in dilution to our stockholders, including pursuant to our 2018 ATM Agreement, as amended. Our Series A Preferred Stock and depositary shares representing interests in Series B Preferred Stock, while not dilutive, includes dividends and required that we establish a segregated cash account adequate to fund the dividends. If we raise additional funds through licensing arrangements with third parties, we may be required to relinquish some rights to our technologies or our product candidates, grant licenses on terms that are not favorable to us or enter into a license arrangement for a product candidate at an earlier stage of development or for a lesser amount than we might otherwise choose.

If adequate funds are not available on a timely basis, we may:

- reduce or eliminate royalty aggregation efforts;
- further reduce our capital or operating expenditures;
- curtail our spending on protecting our intellectual property; or
- take other actions which may adversely affect our financial condition or results of operations.

Changes in the potential royalty acquisition market, including its structure and participants, or a reduction in the growth of the biopharmaceutical industry, could lead to diminished opportunities for us to acquire potential milestones and royalties, fewer potential milestones and royalties (or potential milestones or royalties of significant scale) being

available, or increased competition for potential royalties. Even if we continue to acquire potential royalties and they become actual royalties, they may not generate a meaningful return for a period of several years, if at all, due to the price we pay for such royalties or other factors relating to the underlying products. As a result, we may not be able to continue to acquire potential milestones and royalties as we have in the past, or at all.

We use leverage in connection with our capital deployment, which magnifies the potential for loss if the potential royalties acquired or generated through out-licensing and royalty purchase agreements do not generate sufficient income to us.*

We use borrowed funds to finance a portion of our deployed capital. The use of leverage creates an opportunity for an increased return but also increases the risk of loss if our assets do not generate sufficient income to us. The interest expense and other costs incurred in connection with such borrowings may not be covered by the future potential income from our assets. In addition, leverage and the requirement to pay cumulative dividends on Series A Preferred Stock and depositary shares representing interests in Series B Preferred Stock, may inhibit our operating flexibility and reduce cash flow available for dividends to our common stockholders.

The level of our indebtedness could limit our ability to respond to changing business conditions. The various agreements relating to our borrowings may impose operating and financial restrictions on us which could affect the number and size of the potential milestones and royalties that we may pursue. Therefore, no assurance can be given that we will be able to take advantage of favorable conditions or opportunities as a result of any restrictive covenants under our indebtedness or preferred stock. There can also be no assurance that additional debt or equity financing, either to replace or increase existing debt financing, will be available when needed or, if available, will be obtainable on terms that are commercially reasonable.

Additional risks related to our leverage include:

- our potential future milestones and royalties are used as collateral for our borrowings;
- in the event of a default under any of our secured borrowings, one or more of our creditors or their assignees could obtain control of our future potential milestones and royalties and, in the event of a distressed sale, these creditors could dispose of these royalties for significantly less value than we could realize for them;
- we may have to comply with various financial covenants in future agreements that govern our debt, including requirements to maintain certain leverage ratios and coverage ratios, which may affect our ability to achieve our business objectives;
- our ability to pay dividends to our stockholders (except with respect to our Series A Preferred Stock and Series B Preferred Stock) may be restricted;
- to the extent that interest rates at which we borrow increase, our borrowing costs will increase, and our leveraging strategy will become more costly, which could lead to diminished net profits.

We have a continuing obligation to pay quarterly dividends to holders of our Series A Preferred stock and depositary shares representing interests in Series B Preferred Stock, which will be an on-going expenditure for us and may limit our ability to borrow additional funds.*

Holders of our Series A Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.625% of the $25.00 liquidation preference per year (equivalent to $2.15625 per year). Dividends on the Series A Preferred Stock will accumulate and be cumulative from, and including, the date of original issue by us of the Series A Preferred Stock. Dividends will be payable in arrears on or about the 15th day of January, April, July and October beginning on or about April 15, 2021. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of shares of Series A Preferred Stock are entitled to be paid out of our assets legally available for distribution to our

stockholders a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends up to the date of payment (whether or not declared), before any distribution or payment may be made to holders of shares of common stock or any other class or series of our equity stock ranking, as to liquidation rights, junior to the Series A Preferred Stock. On and after December 15, 2021, the shares of Series A Preferred Stock will be redeemable at our option, in whole or in part, at redemption prices ranging from $26.00 per share to $25.00 per share, plus any accrued and unpaid dividends, depending on the date of redemption.

Holders of depositary shares representing interests in the Series B Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.375% of the $25,000 liquidation preference per share of Series B Preferred Stock ($25.00 per depositary share) per year (equivalent to $2,093.75 per year or $2.09375 per depositary share). Dividends on the Series B Preferred Stock will accumulate and be cumulative from, and including, the date of original issue by us of the Series B Preferred Stock. Dividends will be payable in arrears on or about the 15th day of January, April, July and October beginning on or about July 15, 2021. Of the proceeds, $3.4 million is held as restricted cash in a segregated account that may only be used to pay dividends on the Series B Preferred Stock underlying the depositary shares.

The payment of cash dividends and share repurchases is subject to limitations under applicable laws and the discretion of our Board of Directors and is determined after considering current conditions, including earnings, other operating results and capital requirements. Decreases in asset values or increases in liabilities can reduce net earnings and stockholders' equity. A deficit in stockholders' equity could limit our ability to pay dividends and make share repurchases under Delaware law. On the other hand, our continued obligation to pay dividends to the holders of our Series A Preferred Stock and depositary shares representing interests in Series B Preferred Stock could restrict us from additional borrowings or make them more costly.

The holders of our indebtedness and preferred stock have rights that are senior to those of our common stockholders.*

As of March 31, 2021, the outstanding principal balance of our indebtedness under the Loan and Security Agreement with Silicon Valley Bank (the "SVB Loan Agreement") was $10.1 million. The indebtedness under the SVB Loan Agreement is senior to our shares of preferred stock and common stock in right of payment of dividends and other distributions. In the event of our bankruptcy, dissolution or liquidation, the holders of our indebtedness must be satisfied before any distributions can be made to our preferred or common stockholders.

At March 31, 2021, we had issued and outstanding 984,000 shares of Series A Preferred Stock with a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends up to the date of payment (whether or not declared). Additionally, as of April 9, 2021, we had issued and outstanding 1,600,000 depositary shares, each representing a 1/1000th fractional interest in a share of our Series B Preferred Stock with a liquidation preference of $25,000 per share of Series B Preferred Stock ($25.00 per depositary share), plus an amount equal to any accumulated and unpaid dividends up to the date of payment (whether or not declared). Our preferred stock is senior to our shares of common stock in right of payment of dividends and other distributions. In the event of our bankruptcy, dissolution or liquidation, the holders of our preferred stock must be satisfied before any distributions can be made to our common stockholders.

Information available to us about the biopharmaceutical products underlying the potential royalties we buy may be limited and therefore our ability to analyze each product and its potential future cash flow may be similarly limited.

We may have limited information concerning the products generating the future potential milestones and royalties we are evaluating for acquisition. Often, the information we have regarding products following our acquisition of a potential milestone or royalty may be limited to the information that is available in the public domain. Therefore, there may be material information that relates to such products that we would like to know but do not have and may not be able to obtain. For example, we do not always know the results of studies conducted by marketers of the products of others or the nature or amount of any complaints from doctors or users of such products. In addition, the market data that we obtain

independently may also prove to be incomplete or incorrect. Due to these and other factors, the actual potential cash flow from a potential royalty may be significantly lower than our estimates.

Our future income is dependent upon numerous potential milestone and royalty-specific assumptions and, if these assumptions prove not to be accurate, we may not achieve our expected rates of returns.

Our business model is based on multiple-year internal and external forecasts regarding potential product sales and numerous product-specific assumptions in connection with each potential milestone and royalty acquisition, including where we have limited information regarding the product. There can be no assurance that the assumptions underlying our financial models, including those regarding potential product sales or competition, patent expirations or license terminations for the products underlying our portfolio, are accurate. These assumptions involve a significant element of subjective judgment and may be and in the past have been adversely affected by post-acquisition changes in market conditions and other factors affecting the underlying product. Our assumptions regarding the financial stability or operational or marketing capabilities of the partner obligated to pay us potential royalties may also prove to be incorrect. Due to these and other factors, the assets in our current portfolio or future assets may not generate our projected returns or in the time periods we expect. This could negatively impact our results of operation for a given period.

Reductions or declines in income from potential milestones and royalties, or significant reductions in potential milestone or royalty payments compared to expectations, or impairments in the value of potential milestones and royalties acquired could have a material adverse effect our financial condition and results of operations.

The amount and duration of a royalty usually varies on a country-by-country basis and can be based on a number of factors, such as payments to third party licensors, whether the product is sold singly or in combination, patent expiration dates, regulatory exclusivity, years from first commercial sale of the applicable drug product, the entry of competing generic or biosimilar products, or other terms set out in the contracts governing the royalty. It is common for royalty durations to expire earlier or later than anticipated due to unforeseen positive or negative developments over time, including with respect to the granting of patents and patent term extensions, the invalidation of patents, claims of patent misuse, litigation between the party controlling the patents and third party challengers of the patents, the ability of third parties to design around or circumvent valid patents, the granting of regulatory exclusivity periods or extensions, timing for the arrival of generic or biosimilar competitor products, changes to legal or regulatory regimes affecting intellectual property rights or the regulation of pharmaceutical products, product life cycles, and industry consolidations. If an unexpected reduction in a royalty amount or shortening of a potential royalty term were to occur, it could result in a reduction in potential income from milestones and royalties, a significant reduction in potential milestones and royalty payments compared to expectations, or a permanent impairment of such potential milestones and royalty payments.

A large percentage of the calculated net present value of our portfolio is represented by a limited number of products. The failure of any one of these products to move forward in clinical development or commercialization may have a material adverse effect on our financial condition and results of operation.

Our asset portfolio may not be fully diversified by product, therapeutic area, geographic region or other criteria. Any significant deterioration in the amount or likelihood of receipt of potential cash flows from the top products in our asset portfolio could have a material adverse effect on our business, financial condition and results of operations. In addition, should the payor of any future potential milestones or royalties decline to pay such potential milestones and royalties for any reason, such failure may result in a material adverse effect on our financial condition and results of operation.

Risks Related to Our Reliance on Third Parties

We and our partners rely heavily on license and collaboration relationships, and any disputes or litigation with our partners or termination or breach of any of the related agreements could reduce the financial resources available to us, including our ability to receive milestone payments and future potential royalty and other revenues. License or collaboration agreements relating to products may, in some instances, be unilaterally terminated or disputes may arise which may affect our potential milestones, royalties and other payments.

License or collaboration agreements relating to the products generating our future potential milestones and royalties and other payment rights may be terminated, which may adversely affect sales of such products and therefore the potential payments we may receive. For example, under certain license or collaboration agreements, marketers may retain the right to unilaterally terminate the agreements. When the last patent covering a product expires or is otherwise invalidated in a country, a marketer may be economically motivated to terminate the applicable license or collaboration agreement, either in whole or with respect to such country, in order to terminate its payment and other obligations. In the event of such a termination, a licensor (which may be us in the case of our out-licensed products) or collaborator may no longer receive all of the payments it expected to receive from the applicable licensee or collaborator and may also be unable to find another company to continue developing and commercializing the product on the same or similar terms as those under the license or collaboration agreement that has been terminated.

In addition, license or collaboration agreements may fail to provide significant protection for the applicable licensor (which may be us in the case of our out-licensed products) or collaborator in case of the applicable licensee's or collaborator's failure to perform or in the event of disputes. License and collaboration agreements which relate to the products underlying our potential future milestones, royalties and other payment rights, are complex and certain provisions in such agreements may be susceptible to multiple interpretations. Disputes may arise regarding intellectual property, royalty terms, payment rights or other contractual terms subject to a license or collaboration agreement, including:

- the scope or duration of rights granted under the license or collaboration agreement and other interpretative issues;
- the amounts or timing of royalties, milestones or other payments due under the license or collaboration agreement;
- the sublicensing of patent or other rights under our license or collaboration relationships;
- the diligence obligations under the license or collaboration agreement and what activities satisfy such diligence obligations:
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by us or our partners; and
- the priority of invention of patented technology.

The resolution of any contract interpretation disagreement that may arise could narrow what the licensor (which may be us in the case of our out-licensed products) or collaborator believes to be the scope of its rights to the relevant intellectual property or technology, or decrease the licensee's or collaborator's financial or other obligations under the relevant agreement, any of which could in turn impact the value of our potential royalties, milestones and other payments and have a material adverse effect on our business, financial condition, results of operations and prospects. If a marketer were to default on its obligations under a license or collaboration agreement, the licensor's or collaborator's remedy may be limited either to terminating certain licenses or collaborations related to certain countries or to generally terminate the license or collaboration agreement with respect to such country. In such cases, we may not have the right to seek to enforce the rights of the licensor or collaborator (if not us) and we may be required to rely on the resources and willingness of the licensor or collaborator (if not us) to enforce its rights against the applicable licensee or collaborator. In any of these situations, if the expected upfront, milestone, royalty or other payments under the license or collaboration agreements do

not materialize, this could result in a significant loss to us and materially adversely affect our business, financial condition and results of operations. At any given time, the Company may be engaged in discussions with its licensees or collaborators regarding the interpretation of the payment and other provisions relating to products as to which we have milestones and potential royalty or other payment rights. Should any such discussions result in a disagreement regarding a particular product that cannot be resolved satisfactorily to us, we may end up being paid less than anticipated on such product should it successfully progress through clinical development and be approved for commercialization. Should our milestone and future potential royalty or other payment interests be reduced or eliminated as result of any such disagreement, it could have an adverse effect on our business, financial condition, results of operation and prospects.

Our existing collaborations may not continue or be successful, and we may be unable to enter into future collaborative arrangements to develop and commercialize our unpartnered assets. Generally, our current collaborative partners also have the right to terminate their collaborations at will or under specified circumstances. If any of our collaborative partners breach or terminate their agreements with us or otherwise fail to conduct their collaborative activities successfully (for example, by not making required payments when due, or at all or failing to engage in commercially reasonable efforts to develop products if required), our product development under these agreements will be delayed or terminated.

Our potential milestone and royalty providers may rely on third parties to provide services in connection with their product candidate development and manufacturing programs. The inadequate performance by or loss of any of these service providers could affect our potential milestone and royalty providers' product candidate development.

Third parties provide services in connection with preclinical and clinical development programs, including *in vitro* and *in vivo* studies, assay and reagent development, immunohistochemistry, toxicology, pharmacokinetics, clinical trial support, manufacturing and other outsourced activities. If these service providers do not adequately perform the services for which our potential milestone and royalty providers have contracted, or cease to continue operations, and are not able to find a replacement provider quickly or lose information or items associated with their drug product candidates, our potential milestone and royalty providers' development programs and receipt of any potential resulting income may be delayed.

Agreements with other third parties, many of which are significant to our business, expose us to numerous risks.

Because our licensees, suppliers and contractors are independent third parties, they may be subject to different risks than we are and have significant discretion in, and different criteria for, determining the efforts and resources they will apply related to their agreements with us. If these licensees, suppliers and contractors do not successfully perform the functions for which they are responsible, we may not have the capabilities, resources or rights to do so on our own.

We do not know whether we or our licensees will successfully develop and market any of the products that are or may become the subject of any of our licensing arrangements. In addition, third-party arrangements such as ours also increase uncertainties in the related decision-making processes and resulting progress under the arrangements, as we and our licensees may reach different conclusions, or support different paths forward, based on the same information, particularly when large amounts of technical data are involved.

Under our contracts with NIAID, a part of the National Institute of Health ("NIH"), we invoiced using NIH provisional rates, and these are subject to future audits at the discretion of NIAID's contracting office. In October of 2019, NIH notified us that it engaged KPMG LLP ("KPMG") to perform an audit of our Incurred Cost Submissions for 2013, 2014 and 2015. The audit procedures were complete as of December 31, 2020 and we adjusted our estimated liability owed to NIH to $1.4 million. This audit has resulted in an adjustment to revenue previously reported. The audit remains subject to further review by NIH as part of the contract close-out process, which includes finalization of rates for years 2010 through 2015, and we may incur further liability as a result.

In addition, under the contracts with HCRP, the amortization for the reporting period is calculated based on the payments expected to be made by the licensees to HCRP over the term of the arrangement. Any changes to the estimated payments by the licensees to HCRP can result in a material adjustment to revenue previously reported.

Failure of our potential milestone and royalty providers' product candidates to meet current Good Manufacturing Practices standards may subject our licensees to delays in regulatory approval and penalties for noncompliance.

Our potential milestone and royalty providers may rely on third party manufacturers and such contract manufacturers are required to produce clinical product candidates under current Good Manufacturing Practices ("cGMP") to meet acceptable standards for use in clinical trials and for commercial sale, as applicable. If such standards change, the ability of contract manufacturers to produce our potential milestone and royalty providers' drug product candidates on the schedule required for clinical trials or to meet commercial requirements may be affected. In addition, contract manufacturers may not perform their obligations under their agreements with our potential milestone and royalty providers or may discontinue their business before the time required by us to successfully produce clinical and commercial supplies of our potential milestone and royalty providers' product candidates.

Contract manufacturers are subject to pre-approval inspections and periodic unannounced inspections by the FDA and corresponding state and foreign authorities to ensure strict compliance with cGMP and other applicable government regulations and corresponding foreign standards. We do not have control over a third-party manufacturer's compliance with these regulations and standards. Any difficulties or delays in contractors' manufacturing and supply of our potential milestone and royalty providers' product candidates or any failure of our potential milestone and royalty providers' contractors to maintain compliance with the applicable regulations and standards could increase costs, reduce revenue, make our licensees postpone or cancel clinical trials, prevent or delay regulatory approval by the FDA and corresponding state and foreign authorities, prevent the import and/or export of our potential milestone and royalty providers' product candidates, or cause any of our potential milestone and royalty providers' products that may be approved for commercial sale to be recalled or withdrawn.

Certain of our technologies are in-licensed from third parties, so our and our licensees' capabilities use of them may be restricted and subject to additional risks.

We have licensed technologies from third parties. These technologies include phage display technologies licensed to us in connection with our bacterial cell expression technology licensing program and antibody products. However, our and our licensees and collaborators' use of these technologies is limited by certain contractual provisions in the licenses relating to them, and although we have obtained numerous licenses, intellectual property rights in the area of phage display are particularly complex. If we are unable to maintain our licenses, patents or other intellectual property, we could lose important protections that are material to continuing our operations and for future prospects. Our licensors also may seek to terminate our license, which could cause us and our licensees to lose the right to use the licensed intellectual property and adversely affect our and our licensees' ability to commercialize our technologies, products or services.

Risks Related to the Development and Commercialization of our Current and Future Product Candidates

We may not be able to successfully identify and acquire potential milestone and royalty streams on other products, product candidates, or programs, or other companies to grow and diversify our business, and, even if we are able to do so, we may not be able to successfully manage the risks associated with integrating any such products, product candidates, programs or companies into our business or we may otherwise fail to realize the anticipated benefits of these acquisitions.

To grow and diversify our business, we plan to continue our business development efforts to identify and seek to acquire and/or in-license potential milestone and royalty streams or companies. Future growth through acquisition or in-licensing will depend upon the availability of suitable products, product candidates, programs or companies for acquisition or in-licensing on acceptable prices, terms and conditions. Even if appropriate opportunities are available, we may not be able to acquire rights to them on acceptable terms, or at all. The competition to acquire or in-license rights to promising products, product candidates, programs and companies is fierce, and many of our competitors are large, multinational pharmaceutical and biotechnology companies with considerably more financial, development and commercialization resources, personnel, and experience than we have. In order to compete successfully in the current business climate, we may have to pay higher prices for assets than may have been paid historically, which may make it more difficult for us to realize an adequate return on any acquisition.

Even if we are able to successfully identify and acquire or in-license new products, product candidates, programs or companies, we may not be able to successfully manage the risks associated with integrating any products, product candidates, programs or companies into our business or the risks arising from anticipated and unanticipated problems in connection with an acquisition or in-licensing. Further, while we seek to mitigate risks and liabilities of potential acquisitions through, among other things, due diligence, there may be risks and liabilities that such due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess. Any failure in identifying and managing these risks and uncertainties effectively would have a material adverse effect on our business. In any event, we may not be able to realize the anticipated benefits of any acquisition or in-licensing for a variety of reasons, including the possibility that a product candidate fails to advance to clinical development, proves not to be safe or effective in clinical trials, or that a product fails to reach its forecasted commercial potential or that the integration of a product, product candidate, program or company gives rise to unforeseen difficulties and expenditures. Any failure in identifying and managing these risks and uncertainties would have a material adverse effect on our business.

If our potential royalty providers' therapeutic product candidates do not receive regulatory approval, our potential royalty providers will be unable to market them.

Our potential royalty providers' product candidates cannot be manufactured and marketed in the United States or any other countries without required regulatory approvals. The U.S. government and governments of other countries extensively regulate many aspects of our product candidates, including:

- clinical development and testing;
- manufacturing;
- labeling;
- storage;
- record keeping;
- promotion and marketing; and
- importing and exporting.

In the United States, the FDA regulates pharmaceutical products under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act.

Initiation of clinical trials requires approval by health authorities. Clinical trials involve the administration of the investigational new drug to healthy volunteers or to patients under the supervision of a qualified principal investigator. Clinical trials must be conducted in accordance with FDA and International Conference on Harmonization Good Clinical Practices and the European Clinical Trials Directive, as applicable, under protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Other national, foreign and local regulations also may apply. The developer of the drug must provide information relating to the characterization and controls of the product before administration to the patients participating in the clinical trials. This requires developing approved assays of the product to test before administration to the patient and during the conduct of the trial. In addition, developers of pharmaceutical products must provide periodic data regarding clinical trials to the FDA and other health authorities, and these health authorities may issue a clinical hold upon a trial if they do not believe, or cannot confirm, that the trial can be conducted without unreasonable risk to the trial participants.

The results of the preclinical studies and clinical testing, together with chemistry, manufacturing and controls information, are submitted to the FDA and other health authorities in the form of a New Drug Application ("NDA") for a drug, and in the form of a Biologic License Application ("BLA") for a biological product, requesting approval to commence commercial sales. In responding to an NDA or BLA, the FDA or foreign health authorities may grant marketing

approvals, request additional information or further research, or deny the application if they determine the application does not satisfy regulatory approval criteria. Regulatory approval of an NDA, BLA, or supplement is never guaranteed. The approval process can take several years, is extremely expensive and can vary substantially based upon the type, complexity, and novelty of the products involved, as well as the target indications. Our potential royalty providers ultimately may not be able to obtain approval in a timely fashion or at all.

The FDA and foreign health authorities have substantial discretion in the drug and biologics approval processes. Despite the time and expense incurred, failure can occur at any stage, and our potential development partners could encounter problems that cause abandonment of clinical trials or cause them to repeat or perform additional preclinical, clinical or manufacturing-related studies.

Changes in the regulatory approval policy during the development period, changes in, or the enactment of additional regulations or statutes, or changes in regulatory review for a submitted product application may cause delays in the approval or rejection of an application.

The FDA and other regulatory agencies have substantial discretion in both the product approval process and manufacturing facility approval process, and as a result of this discretion and uncertainties about outcomes of testing, we cannot predict at what point, or whether, the FDA or other regulatory agencies will be satisfied with our licensees' submissions or whether the FDA or other regulatory agencies will raise questions that may be material and delay or preclude product approval or manufacturing facility approval. In light of this discretion and the complexities of the scientific, medical and regulatory environment, our or our potential royalty providers' interpretation or understanding of the FDA's or other regulatory agencies' requirements, guidelines or expectations may prove incorrect, which also could delay further or increase the cost of the approval process.

Our potential milestone and royalty providers face uncertain results of clinical trials of product candidates.

Drug development has inherent risk, and our potential milestone and royalty providers are required to demonstrate through adequate and well-controlled clinical trials that product candidates are effective, with a favorable benefit-risk profile for use in their target profiles before they can seek regulatory approvals for commercial use. It is possible our potential royalty providers may never receive regulatory approval for any licensed product candidates. Even if a product candidate receives regulatory approval, the resulting product may not gain market acceptance among physicians, patients, healthcare payors and the medical community.

Our potential milestone and royalty providers' product candidates require significant additional research and development, extensive preclinical studies and clinical trials and regulatory approval prior to any commercial sales. This process is lengthy and expensive, often taking a number of years. As clinical results frequently are susceptible to varying interpretations that may delay, limit or prevent regulatory approvals, the length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly. As a result, it is uncertain whether:

- our potential milestone and royalty providers' future filings will be delayed;
- our potential milestone and royalty providers' preclinical studies will be successful;
- our potential milestone and royalty providers will be successful in generating viable product candidates;
- we will be successful in finding collaboration and licensing partners to advance our product candidates on our behalf;
- our potential milestone and royalty providers will be able to provide necessary data;
- results of future clinical trials by our potential milestone and royalty providers will justify further development; or

- our potential milestone and royalty providers ultimately will achieve regulatory approval for product candidates in which we have an interest.

The timing of the commencement, continuation and completion of clinical trials by our potential milestone and royalty providers may be subject to significant delays relating to various causes, including failure to complete preclinical testing and earlier-stage clinical trials in a timely manner, inability to engage contract research organizations and other service providers, scheduling conflicts with participating clinicians and clinical institutions, changes in key personnel at clinical institutions, difficulties in identifying and enrolling patients who meet trial eligibility criteria and shortages of available drug supply. In addition, since we and our royalty agreement counterparties license our product candidates to others to fund and conduct clinical trials, we, and they, have limited control over how quickly and efficiently such licensees advance those trials. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the concentration of patients in specialist centers, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. Regardless of the initial size or relative complexity of a clinical trial, the costs of such trial may be higher than expected due to increases in duration or size of the trial, changes in the protocol under which the trial is being conducted, additional or special requirements of one or more of the healthcare centers where the trial is being conducted, or changes in the regulatory requirements applicable to the trial or in the standards or guidelines for approval of the product candidate being tested or for other unforeseen reasons.

In addition, our potential milestone and royalty providers may conduct clinical trials in foreign countries, which may subject them to further delays and expenses as a result of increased drug shipment costs, additional regulatory requirements and the engagement of foreign clinical research organizations, and may expose our potential milestone and royalty providers to risks associated with foreign currency transactions to make contract payments denominated in the foreign currency where the trial is being conducted.

New products and technologies of other companies may render some or all of our potential milestone and royalty providers' product candidates noncompetitive or obsolete.

New developments by others may render our potential milestone and royalty providers' product candidates or technologies obsolete or uncompetitive. Technologies developed and utilized by the biotechnology and pharmaceutical industries are changing continuously and substantially. Competition in antibody-based technologies is intense and is expected to increase in the future as a number of established biotechnology firms and large chemical and pharmaceutical companies advance in these fields. Many of these competitors may be able to develop products and processes competitive with or superior to our potential milestone and royalty providers for many reasons, including that they may have:

- significantly greater financial resources;
- larger research and development staffs;
- entered into arrangements with, or acquired, biotechnology companies to enhance their capabilities; or
- extensive experience in preclinical testing and human clinical trials.

These factors may enable others to develop products and processes competitive with or superior to our own or those of our potential milestone and royalty providers. In addition, a significant amount of research in biotechnology is being carried out in universities and other non-profit research organizations. These entities are becoming increasingly interested in the commercial value of their work and may become more aggressive in seeking patent protection and licensing arrangements. Furthermore, many companies and universities tend not to announce or disclose important discoveries or development programs until their patent position is secure or, for other reasons, later. As a result, we and our potential milestone and royalty providers may not be able to track development of competitive products, particularly at the early stages.

Positive developments in connection with a potentially competing product may have an adverse impact on our future potential for receiving revenue derived from development milestones and royalties. For example, if another product

is perceived to have a competitive advantage, or another product's failure is perceived to increase the likelihood that our licensed product will fail, our potential milestone and royalty providers may halt development of product candidates in which we have an interest.

Our potential royalty providers may be unable to price our products effectively or obtain coverage and adequate reimbursement for sales of our products, which would prevent our potential royalty providers' products from becoming profitable and negatively affect the royalties we may receive.

If our potential royalty providers succeed in bringing our product candidates to the market, they may not be considered cost effective, and reimbursement to the patient may not be available or may not be sufficient to allow our potential royalty providers to sell the products on a competitive basis. In both the United States and elsewhere, sales of medical products and treatments are dependent, in part, on the availability of coverage and adequate reimbursement from third-party payors, such as government and private insurance plans. Significant uncertainty exists as to the coverage and reimbursement status of any products for which our potential royalty providers may obtain regulatory approval. Even if coverage is available, the associated reimbursement rate may not be adequate for our potential royalty providers to cover related costs. Additionally, coverage and reimbursement policies for drug products can differ significantly from payor to payor as there is no uniform policy of coverage and reimbursement for drug products among third-party payors in the United States. Therefore, the process of obtaining coverage and reimbursement is often time-consuming and costly.

Third-party payors are increasingly challenging the prices charged for pharmaceutical products and services. Our business is affected by the efforts of government and third-party payors to contain or reduce the cost of healthcare through various means. In the United States, there have been and will continue to be a number of federal and state proposals to implement government controls on pricing.

In addition, the emphasis on managed care in the United States has increased and will continue to increase the pressure on the pricing of pharmaceutical products. We cannot predict whether any legislative or regulatory proposals will be adopted or the effect these proposals or managed care efforts may have on our or our potential milestone and royalty providers' businesses.

We do not know whether there will be, or will continue to be, a viable market for the product candidates in which we have an ownership or royalty interest.

Even if product candidates in which we have an interest receive approval in the future, they may not be accepted in the marketplace. In addition, our potential royalty providers may experience difficulties in launching new products, many of which are novel and based on technologies that are unfamiliar to the healthcare community. We have no assurance healthcare providers and patients will accept such products, if developed. Similarly, physicians may not accept a product if they believe other products to be more effective or more cost effective or are more comfortable prescribing other products.

Furthermore, government agencies, as well as private organizations involved in healthcare, from time to time publish guidelines or recommendations to healthcare providers and patients. Such guidelines or recommendations can be very influential and may adversely affect product usage directly (for example, by recommending a decreased dosage of a product in conjunction with a concomitant therapy) or indirectly (for example, by recommending a competitive product over a product in which we have an ownership or royalty interest). Consequently, we do not know if physicians or patients will adopt or use products in which we have an ownership or royalty interest for their approved indications.

Even approved and marketed products are subject to risks relating to changes in the market for such products. Introduction or increased availability of generic or biosimilar versions of products can alter the market acceptance of branded products. In addition, unforeseen safety issues may arise at any time, regardless of the length of time a product has been on the market.

We are exposed to an increased risk of product liability claims.

The testing, marketing and sales of medical products entails an inherent risk of allegations of product liability. In the past, we were party to product liability claims filed against Genentech Inc. and, even though Genentech agreed to indemnify us in connection with these matters and these matters have been settled, there can be no assurance other product liability lawsuits will not result in liability to us or that our insurance or contractual arrangements will provide us with adequate protection against such liabilities. In the event of one or more large, unforeseen awards of damages against us, our product liability insurance may not provide adequate coverage. A significant product liability claim for which we were not covered by insurance or indemnified by a third party would have to be paid from cash or other assets, which could have an adverse effect on our business and the value of our common stock. To the extent we have sufficient insurance coverage, such a claim would presumably result in higher subsequent insurance rates. In addition, product liability claims can have various other ramifications, including loss of future sales opportunities, increased costs associated with replacing products, a negative impact on our goodwill and reputation, and divert our management's attention from our business, each of which could also adversely affect our business and operating results.

If we and our potential royalty providers are unable to protect our intellectual property, in particular patent protection for principal products, product candidates and processes in which we have an ownership or royalty interest, and prevent the use of the covered subject matter by third parties, our potential royalty providers' ability to compete in the market will be harmed, and we may not realize our profit potential.

We and our potential royalty providers rely on patent protection, as well as a combination of copyright, trade secret, and trademark laws to protect our proprietary technology and prevent others from duplicating our products or product candidates. However, these means may afford only limited protection and may not:

- prevent our competitors from duplicating our products and those of our potential royalty providers;
- prevent our competitors from gaining access to our proprietary information and technology and that of our potential royalty providers; or
- permit us or our potential royalty providers to gain or maintain a competitive advantage.

Because of the length of time and the expense associated with bringing new products to the marketplace, we and our potential royalty providers hold and are in the process of applying for a number of patents in the United States and abroad to protect product candidates and important processes and also have obtained or have the right to obtain exclusive licenses to certain patents and applications filed by others. However, the mere issuance of a patent is not conclusive as to its validity or its enforceability.

The U.S. Federal Courts, the U.S. Patent & Trademark Office or equivalent national courts or patent offices elsewhere may invalidate our patents or find them unenforceable. The America Invents Act introduced post-grant review procedures subjecting U.S. patents to post-grant review procedures similar to European oppositions. U.S. patents owned or licensed by us or our licensees may therefore be subject to post-grant review procedures, as well as other forms of review and re-examination. A decision in such proceedings adverse to our interests could result in the loss of valuable patent rights, which would have a material adverse effect on our business. In addition, the laws of foreign countries may not protect our intellectual property rights effectively or to the same extent as the laws of the United States.

If our, and our potential royalty providers intellectual property rights are not protected adequately, our potential royalty providers may not be able to commercialize technologies or products in which we have an ownership or royalty interest, and our competitors could commercialize such technologies or products, which could result in a decrease in our potential royalty providers' sales and market share that would harm our business and operating results. Specifically, the patent position of biotechnology companies generally is highly uncertain and involves complex legal and factual questions.

The legal standards governing the validity of biotechnology patents are in transition, and current defenses as to issued biotechnology patents may not be adequate or available in the future. Accordingly, there is uncertainty as to:

- whether any pending or future patent applications held by us or our potential royalty providers will result in an issued patent, or whether issued patents will provide meaningful protection against competitors or competitive technologies;

- whether competitors will be able to design around our or our potential royalty providers' patents or develop and obtain patent protection for technologies, designs or methods that are more effective than those covered by our or our potential royalty providers' patents and patent applications; or

- the extent to which our or our potential royalty providers' product candidates could infringe on the intellectual property rights of others, which may lead to costly litigation, result in the payment of substantial damages or royalties, reduce the royalty rate due to us, and prevent our potential royalty providers from using our technology or product candidates.

If certain patents issued to others are upheld or if certain patent applications filed by others are issued and upheld, our potential royalty providers may require licenses from others to develop and commercialize certain potential products in which we have an ownership or royalty interest. These licenses, if required, may not be available on acceptable terms, or may trigger contractual royalty offset clauses in our license agreements, or those of our royalty-agreement counterparties. We may become involved in litigation to determine the proprietary rights of others, and any such litigation will presumably be costly and may have other adverse effects on our business, such as inhibiting our potential royalty providers' ability to compete in the marketplace and absorbing significant management time.

Due to the uncertainties regarding biotechnology patents, we also have relied and will continue to rely upon trade secrets, know-how and continuing technological advancement to develop and maintain our competitive position. Our employees and contractors are typically required to sign confidentiality agreements under which they agree not to use or disclose any of our proprietary information. Research and development contracts and relationships between us and our scientific consultants and potential licensees provide access to aspects of our know-how that are protected generally under confidentiality agreements. These confidentiality agreements may be breached or may not be enforced by a court. To the extent proprietary information is divulged to competitors or to the public generally, such disclosure may adversely affect our licensees' ability to develop or commercialize our products by giving others a competitive advantage or by undermining our patent position.

Litigation regarding intellectual property and/or the enforcement of our contractual rights against licensees and third parties can be costly and expose us to risks of counterclaims against us.

We may be required to engage in litigation or other proceedings to protect our intellectual property and/or enforce our contractual rights against former or current licensees or third parties, including third-party collaborators of such licensees. The cost to us of this litigation, even if resolved in our favor, could be substantial and parties to such litigation may be able to sustain the cost of such litigation and proceedings more effectively than we can if they have substantially greater resources than us. Such litigation and any negotiations leading up to it also could divert management's attention and resources. If this litigation is resolved against us, we may lose the value associated with contract rights contained in our arrangements with licensees and third parties, our patents may be declared invalid, and we could be held liable for significant damages. While it is our current plan to pursue, on a selective basis, potential material contractual breaches against licensees and third parties (including third-party collaborators of licensees) and/or infringement of our intellectual property rights or technology, there can be no assurance that any such enforcement actions will be successful, or if successful, the timing of such success or that we will have sufficient capital to prosecute any such actions to a successful conclusion.

In addition, we may be subject to claims that we, or our licensees, are infringing other parties' patents. If such claims are resolved against us, we or our licensees may be enjoined from developing, manufacturing, selling or importing products, processes or services unless we obtain a license from the other party. Such license may not be available on

reasonable terms or at all, thus preventing us, or our licensees, from using these products, processes or services and adversely affecting our potential future revenue.

Uncertainties resulting from our participation in intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. There could also be public announcements of the results of hearings, motions or interim proceedings or developments. If securities analysts or investors perceive these results to be negative, the perceived value of the drug product candidates as to which we hold future potential milestone or royalty interests, or intellectual property could be diminished. Accordingly, the market price of our common stock may decline. Uncertainties resulting from the initiation and continuation of intellectual property litigation or other proceedings could have a material adverse effect of our business, financial condition and results of operation.

Risks Related to Employees, Location, Data Integrity, and Litigation

The loss or COVID-19 related absence of any of our personnel, including our Chief Executive Officer or Chief Financial Officer, could delay or prevent achieving our objectives.

Our business efforts could be adversely affected by the loss or COVID-19 related absence of one or more key members of our staff, including our executive officers: James R. Neal, our Chief Executive Officer and Thomas Burns, our Senior Vice President, Finance and Chief Financial Officer. We currently do not have key person insurance on any of our employees. In addition, given our minimal employee base, a COVID-19 outbreak in our employee population could significantly hinder our ability to meet our operating objectives.

Because we are a small biopharmaceutical focused company with limited resources, we may not be able to attract and retain qualified personnel.

We had 10 employees as of May 3, 2021. We may require additional experienced executive, accounting, legal, administrative and other personnel from time to time in the future. There is intense competition for the services of these personnel, especially in California. Moreover, we expect that the high cost of living in the San Francisco Bay Area, where our headquarters is located, may impair our ability to attract and retain employees in the future. If we do not succeed in attracting new personnel and retaining and motivating existing personnel, our business may suffer and we may be unable to implement our current initiatives or grow effectively.

We rely and will continue to rely on outsourcing arrangements for many of our activities, including financial reporting and accounting and human resources.

Due to our small number of employees, we rely, and expect to continue to rely, on outsourcing arrangements for a significant portion of our activities, including financial reporting and accounting and human resources, as well as for certain of our functions as a public company. We may have limited control over these third parties and we cannot guarantee that they will perform their obligations in an effective and timely manner.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with applicable regulations, provide accurate information to regulatory authorities, comply with federal and state fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to us. In particular, the health care industry is subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity 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 these laws or 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 fines or other sanctions.

Natural disasters, power shortages, power interruptions or other calamities at our Emeryville headquarters could disrupt our business and adversely affect our operations.

Our corporate headquarters is located in Emeryville, California. This location is in an area of seismic activity near active earthquake faults. Any earthquake, tsunami, terrorist attack, riot, fire, power shortage or other calamity affecting our facilities may disrupt our business and could have material adverse effect on our results of operations.

If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business.

Our business and operations would suffer in the event of system failures.

Despite the implementation of security measures, our internal computer systems and those of our current and any future licensees, suppliers, contractors and consultants are vulnerable to damage from cyberattacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. We could experience failures in our information systems and computer servers, which could be the result of a cyberattacks and could result in an interruption of our normal business operations and require substantial expenditure of financial and administrative resources to remedy. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our development programs and other business operations. The loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Similarly, we rely on third parties to manufacture our product candidates, and conduct clinical trials of our product candidates, and similar events relating to their computer systems could also have a material adverse effect on our business. 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 confidential or proprietary information, we could incur liability and the development of any of our product candidates could be delayed or otherwise adversely affected.

Data breaches and cyberattacks could compromise our intellectual property or other sensitive information and cause significant damage to our business and reputation.

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. We believe companies have been increasingly subject to a wide variety of security incidents, cyberattacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, all ranging in sophistication from an individual hacker to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Cyberattacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such 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 sensitive business information. A data security breach could also lead to public exposure of personal information of our clinical trial patients, customers and others which could expose us to liability under federal or state privacy laws. Cyberattacks can result in the theft of proprietary information which could be used to compete against us and could cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business.

U.S. and international authorities have been warning businesses of increased cybersecurity threats from actors seeking to exploit the COVID-19 pandemic. Moreover, failure to maintain effective internal accounting controls related to data security breaches and cybersecurity in general could impact our ability to produce timely and accurate financial statements and could subject us to regulatory scrutiny. In addition, these breaches and other inappropriate access can be

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

Significant disruptions of information technology systems, including cloud-based systems, or breaches of data security could adversely affect our business.

Our business is increasingly dependent on critical, complex and interdependent information technology systems, including cloud-based systems, to support business processes as well as internal and external communications. Our computer systems, and those of our partners and contractors, are potentially vulnerable to breakdown, malicious intrusion and computer viruses that may result in the impairment of key business processes. Such disruptions and breaches of security could have a material adverse effect on our business, financial condition and results of operations.

In addition, our data security and information technology systems, as well as those of our partners and contractors, are potentially vulnerable to data security breaches, whether by employees or others, that may expose sensitive data or personal information to unauthorized persons. Effective May 25, 2018, the European Union ("EU") implemented the General Data Protection Regulation ("GDPR") a broad data protection framework that expands the scope of current EU data protection law to non-European Union entities that process, or control the processing of, the personal information of EU subjects, including clinical trial data. The GDPR allows for the imposition of fines and/or corrective action on entities that improperly use or disclose the personal information of EU subjects, including through a data security breach.

The California Consumer Privacy Act of 2018 became effective on January 1, 2020 and its applicable regulations are being implemented in waves by the California Attorney General, including additional regulations that were still in the comment phase at the end of 2020 (collectively the Act and its regulations, "CCPA"). 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 includes a framework with potentially severe statutory damages and private rights of action. The CCPA requires covered companies to provide new disclosures to California consumers (as that word is broadly defined in the CCPA), provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. As we expand our operations, the CCPA will likely impact our business activities and may increase our compliance costs and potential liability. If we fail to comply with the CCPA, including all of the various and recent waves of its implementing regulations, we may face significant fines and penalties that could adversely affect our business, financial condition and results of operations. Other states are beginning to pass similar laws, and some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business. Accordingly, data security breaches experienced by us, our partners or contractors could lead to significant fines, required corrective action, the loss of trade secrets or other intellectual property, public disclosure of sensitive clinical or commercial data, and the exposure of personally identifiable information (including sensitive personal information) of our employees, partners, and others. A data security breach or privacy violation that leads to disclosure or modification of, or prevents access to, patient information, including personally identifiable information or protected health information, could result in fines, increased costs or loss of revenue as a result of:

- harm to our reputation;
- fines imposed on us by regulatory authorities;
- additional compliance obligations under federal, state or foreign laws;
- requirements for mandatory corrective action to be taken by us; and
- requirements to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data.

If we are unable to prevent such data security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer loss of reputation, financial loss and other regulatory penalties because of lost or misappropriated information, including sensitive patient data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Moreover, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information, trade secrets or other intellectual property. While we have implemented security measures to protect our data security and information technology systems, such measures may not prevent such events. We expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy and data protection in the United States, the EU and other jurisdictions, such as the CCPA. We cannot presently determine the impact such laws, regulations and standards will have on our business. It is possible that the GDPR, CCPA or other laws and regulations relating to privacy and data protection may be interpreted and applied in a manner that is inconsistent from jurisdiction to jurisdiction or inconsistent with our current policies and practices and compliance with such laws and regulations could require us to change our business practices and compliance procedures in a manner adverse to our business. We cannot guarantee that we are in compliance with all such applicable data protection laws and regulations as they are enforced now or as they evolve.

Risks Related to Government Regulation

Even after FDA approval, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be removed voluntarily from the market.

Even if our potential royalty providers receive regulatory approval for our product candidates, our licensees will be subject to ongoing regulatory oversight and review by the FDA and other regulatory entities. The FDA, the EMA, or another regulatory agency may impose, as a condition of the approval, ongoing requirements for post-approval studies or post-approval obligations, including additional research and development and clinical trials, and the FDA, EMA or other regulatory agency subsequently may withdraw approval based on these additional trials or obligations.

Even for approved products, the FDA, EMA or other regulatory agency may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, marketing and production of such product. In addition, the labeling, packaging, adverse event reporting, storage, advertising, promotion and record-keeping for our products are subject to extensive regulatory requirements.

Furthermore, marketing approval of a product may be withdrawn by the FDA, the EMA or another regulatory agency or such product may be withdrawn voluntarily by our potential royalty providers based, for example, on subsequently arising safety concerns. The FDA, EMA and other agencies also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Healthcare reform measures and other statutory or regulatory changes could adversely affect our business.

The United States and some foreign jurisdictions have enacted or are considering a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our potential royalty providers' ability to sell products in which we have ownership or and royalty interests, if approved, profitably. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. Since January 2017, President Trump signed several executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by ACA. Concurrently, Congress considered legislation that would repeal or repeal and replace all or part of ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017, or Tax Act, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January l, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of

2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole". On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the U.S. Supreme Court has yet ruled on the constitutionality of the ACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the ACA marketplace. 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 ACA. It is unclear how the Supreme Court ruling, other such litigation, and the healthcare reform measures will impact the ACA and our business.

Other legislative changes have also been proposed and adopted since the ACA was enacted. For example, the Budget Control Act of 2011 resulted in aggregate reductions in Medicare payments to providers of up to two percent per fiscal year, starting in 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2030 unless additional Congressional action is taken. However, COVID-19 relief support legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. In addition, the American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Such laws, and others that may affect our business that have been recently enacted or may in the future be enacted, may result in additional reductions in Medicare and other healthcare funding.

Also, there has been heightened governmental scrutiny recently in the U.S. over pharmaceutical pricing practices in light of the rising cost of prescription drugs and biologics. Such scrutiny has resulted in several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. At the federal level, 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, 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 pending review by the Biden administration until March 22, 2021. On November 20, 2020, 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. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, and restrictions on certain product access. In some cases, such legislation and regulations have been designed to encourage importation from other countries and bulk purchasing.

An expansion in the government's role in the U.S. healthcare industry may cause general downward pressure on the prices of prescription drug products, lower reimbursements for providers, and reduced product utilization, any of which

could adversely affect our business and results of operations. Moreover, there has been heightened governmental scrutiny in the United States of pharmaceutical pricing practices in light of the rising cost of prescription drugs and biologics. Such scrutiny has resulted in several recent congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for products. We cannot know what form any such new legislation may take or the market's perception of how such legislation would affect us. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent our potential royalty providers from being able to generate revenue, attain profitability, develop, or commercialize our current product candidates in which we have an ownership or royalty interest.

We and our potential milestone and royalty providers are subject to various state and federal healthcare-related laws and regulations that may impact the commercialization of our product candidates for which we possess milestone or royalty rights or could subject us to significant fines and penalties.

Our operations may be directly or indirectly subject to various state and federal healthcare laws, including the federal Anti-Kickback Statute, the federal False Claims Act and state and federal data privacy and security laws. These laws may impact, among other things, the commercial operations for any of our product candidates that may be approved for commercial sale.

The federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing any remuneration, directly or indirectly, in cash or in kind, in exchange for or to induce either the referral of an individual for, or the furnishing or arranging for the purchase, lease, or order of a good or service for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs. The ACA modified the federal Anti-Kickback Statute's intent requirement so that a person or entity no longer needs to have actual knowledge of the statute or the specific intent to violate it to have committed a violation. In addition, several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. The Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry.

The federal false claims laws, including the False Claims Act, and civil monetary penalties laws prohibit, among other things, persons and entities from knowingly filing, or causing to be filed, a false claim to, or the knowing use of false statements to obtain payment from the federal government. Certain suits filed under the False Claims Act, known as "qui tam" actions, can be brought by any individual on behalf of the government and such individual, commonly known as a "whistleblower," may share in any amounts paid by the entity to the government in fines or settlement. The filing of qui tam actions has caused a number of pharmaceutical, medical device and other healthcare companies to have to defend and/or settle a False Claims Act action.

The Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") created new federal criminal statutes that prohibit, among other things, executing a scheme to defraud any healthcare benefit program, including a private payor, or falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of, or payment for, health care benefits, items or services.

HIPAA, as amended by the Health Information Technology and Clinical Health Act, and its implementing regulations, also imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information by entities subject to the law, such as certain healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform certain functions or activities that involve the use or disclosure of protected health information on their behalf.

Many states also have adopted laws similar to each of the federal laws described above, some of which apply to healthcare items or services reimbursed by any source, not only federal healthcare programs, such as the Medicare and Medicaid programs. In addition, some states have laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the

federal government. Additionally, certain state and local laws require the registration of pharmaceutical sales representatives, restrict payments that may be made to healthcare providers and other potential referral sources, and require manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers. Further, some states have laws governing the privacy and security of health information in certain circumstances, many of which are not preempted by HIPAA and differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws, and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of our or our potential milestone and royalty providers' business activities could be subject to challenge under one or more of such laws.

If we or our potential milestone and royalty providers are found to be in violation of any of the laws and regulations described above or other applicable state and federal healthcare laws, we or our potential milestone and royalty providers may be subject to penalties, including significant civil, criminal, and administrative penalties, damages, fines, disgorgement, imprisonment, integrity oversight and reporting obligations, reputational harm, exclusion from government healthcare reimbursement programs and the curtailment or restructuring of our or our potential milestone and royalty providers' operations, any of which could have a material adverse effect on our business and results of operations. In addition, we and our licensees may be subject to certain analogous foreign laws and violations of such laws could result in significant penalties.

As we or our potential milestone and royalty providers do more business internationally, we will be subject to additional political, economic and regulatory uncertainties.

We or our potential milestone and royalty providers may not be able to operate successfully in any foreign market. We believe that because the pharmaceutical industry is global in nature, international activities will be a significant part of future business activities and when and if we or our potential milestone and royalty providers are able to generate income, a substantial portion of that income will be derived from product sales and other activities outside the United States. Foreign regulatory agencies often establish standards different from those in the United States, and an inability to obtain foreign regulatory approvals on a timely basis could put us at a competitive disadvantage or make it uneconomical to proceed with a product or product candidate's development. International sales may be limited or disrupted by many factors, including without limitation:

- imposition of government controls;
- export license requirements;
- political or economic instability;
- trade restrictions;
- changes in tariffs;
- restrictions on repatriating profits;
- exchange rate fluctuations; and
- withholding and other taxation.

General Risk Factors

Our share price may be volatile, and there may not be an active trading market for our common stock, Series A Preferred Stock or depositary shares representing interests in our Series B Preferred Stock.*

There can be no assurance that the market price of our common stock will not decline below its present market price. Additionally, there may not be an active trading market for our common stock, Series A Preferred Stock or depositary shares representing interests in our Series B Preferred Stock. The market prices of biotechnology companies have been and are likely to continue to be highly volatile. Fluctuations in our operating results and general market conditions for biotechnology stocks could have a significant impact on the volatility of our stock price or the existence of an active trading market for our common stock, Series A Preferred Stock or depositary shares representing interests in our Series B Preferred Stock. We have experienced significant volatility in the price of our common stock. From January 1, 2021, through May 3, 2021, the share price of our common stock has ranged from a high of $44.50 to a low of $30.52. Additionally, we have two significant holders of our stock that could affect the liquidity of our stock and have a significant negative impact on our stock price if the holders were to quickly sell their ownership positions.

Our results of operations and liquidity needs could be materially negatively affected by market fluctuations or an economic downturn.

Our results of operations could be materially negatively affected by economic conditions generally, both in the United States and elsewhere around the world. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, and the U.S. financial markets have in the past contributed to, and may continue in the future contribute to, increased volatility and diminished expectations for the economy and the markets. Domestic and international equity markets periodically experience heightened volatility and turmoil. These events may have an adverse effect on us. In the event of a market downturn, our results of operations could be adversely affected by those factors in many ways, including making it more difficult for us to raise funds if necessary, and our stock price may decline.

We have issued equity securities, and may issue additional equity securities from time to time, that materially and adversely affect the price of our common stock, including our Series X preferred stock, Series A Preferred Stock and depositary shares representing interests in our Series B Preferred Stock.*

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in such a manner as we determine from time to time, including pursuant to our 2018 ATM Agreement, as amended. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. If we issue additional equity securities, the price of our common stock may be materially and adversely affected.

As of March 31, 2021, there were 5,003 shares of Series X preferred stock issued and outstanding. Each share of Series X preferred stock is convertible into 1,000 shares of registered common stock. The total number of shares of common stock issuable upon conversion of all issued Series X preferred stock would be 5,003,000 shares. Each share is convertible at the option of the holder at any time, provided that the holder will be prohibited from converting into common stock if, as a result of such conversion, the holder, together with its affiliates, would beneficially own a number of shares above a conversion blocker, which was initially set at 19.99% of our total common stock then issued and outstanding immediately following the conversion of such shares. A holder of Series X preferred shares may elect to increase or decrease the conversion blocker above or below 19.99% on 61 days' notice, provided the conversion blocker does not exceed the limits under Nasdaq Marketplace Rule 5635(b), to the extent then applicable. If holders of our Series X convertible preferred stock elect to convert their preferred shares into common stock such conversion would dilute our currently outstanding common stock both in number and in earnings per share. BVF (and its affiliates), as current holders of all shares of our Series X preferred stock, would, if they converted all such shares to common stock, obtain majority voting control of the Company. In February 2020, Biotechnology Value Fund, L.P. ("BVF"), the holders of Series Y convertible preferred shares, elected to increase the beneficial ownership limitation to 50% and on April 15, 2020, BVF

converted all of their shares of Series Y preferred stock into 1,252,772 shares of common stock. As of March 31, 2021, BVF owned approximately 31.4% of our total outstanding shares of common stock, and if all of the Series X convertible preferred shares were converted, BVF would own 52.5% of our total outstanding shares of common stock. Additionally, as of April 9, 2021, we had issued and outstanding 984,000 shares of Series A Preferred Stock and 1,600,000 depositary shares, each representing a 1/1000th fractional interest in a share of our Series B Preferred Stock.

In addition, funding from collaboration partners and others has in the past and may in the future involve issuance by us of our common stock. We cannot be certain how the purchase price of such shares, the relevant market price or premium, if any, will be determined or when such determinations will be made.

Any issuance by us of equity securities, whether through an underwritten public offering, an at the market offering, a private placement, in connection with a collaboration or otherwise could result in dilution in the value of our issued and outstanding shares, and a decrease in the trading price of our common stock.

We may sell additional equity or debt securities to fund our operations, which may result in dilution to our stockholders and impose restrictions on our business.*

In order to raise additional funds to support our operations, we may sell additional equity or convertible debt securities, which would result in dilution to our stockholders and/or debt securities which may impose restrictive covenants that would adversely impact our business. The sale of additional equity or convertible debt securities could result in additional dilution or result in other rights or obligations that adversely affect our stockholders. For example, holders of shares of our Series A Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.625% of the $25.00 liquidation preference per year (equivalent to $2.15625 per year). Additionally, holders of depositary shares representing interests in our Series B Preferred Stock are entitled to receive, when and as declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.375% of the $25,000 liquidation preference per share of Series B Preferred Stock ($25.00 per depositary share) per year (equivalent to $2,093.75 per year or $2.09375 per depositary share). The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to expand our operations or otherwise capitalize on our business opportunities, our business, financial condition and results of operations could be materially adversely affected and we may not be able to meet our debt service obligations.

Our organizational documents contain provisions that may prevent transactions that could be beneficial to our stockholders and may insulate our management from removal.

Our charter and by-laws:

- require certain procedures to be followed and time periods to be met for any stockholder to propose matters to be considered at annual meetings of stockholders, including nominating directors for election at those meetings; and

- authorize our Board of Directors to issue up to 1,000,000 shares of preferred stock without stockholder approval and to set the rights, preferences and other designations, including voting rights, of those shares as the Board of Directors may determine.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), that may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from merging or combining with us.

These provisions of our organizational documents and the DGCL, alone or in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of common stock, could limit the ability of

stockholders to approve transactions that they may deem to be in their best interests, and could make it considerably more difficult for a potential acquirer to replace management.

As a public company in the United States, we are subject to the Sarbanes-Oxley Act. We have determined our disclosure controls and procedures and our internal control over financial reporting are effective. We can provide no assurance that we will, at all times, in the future be able to report that our internal controls over financial reporting are effective.

Companies that file reports with the SEC, including us, are subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX"). Section 404 requires management to establish and maintain a system of internal control over financial reporting, and annual reports on Form 10-K filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), must contain a report from management assessing the effectiveness of our internal control over financial reporting. Ensuring we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a time-consuming effort that needs to be re-evaluated frequently. Failure on our part to have effective internal financial and accounting controls would cause our financial reporting to be unreliable, could have a material adverse effect on our business, operating results, and financial condition, and could cause the trading price of our common stock to fall.

Our ability to use our net operating loss carry-forwards and other tax attributes will be substantially limited by Section 382 of the U.S. Internal Revenue Code.

Under the federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the federal tax law. In addition, Section 382 of the U.S. Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, generally limit the ability of a corporation that undergoes an "ownership change" to utilize its net operating loss carry-forwards ("NOLs") and certain other tax attributes against any taxable income in taxable periods after the ownership change. The amount of taxable income in each taxable year after the ownership change that may be offset by pre-change NOLs and certain other pre-change tax attributes is generally equal to the product of (a) the fair market value of the corporation's outstanding shares (or, in the case of a foreign corporation, the fair market value of items treated as connected with the conduct of a trade or business in the United States) immediately prior to the ownership change and (b) the long-term tax exempt rate (i.e., a rate of interest established by the U.S. Internal Revenue Service that fluctuates from month to month). In general, an "ownership change" occurs whenever the percentage of the shares of a corporation owned, directly or indirectly, by "5-percent shareholders" (within the meaning of Section 382 of the Internal Revenue Code) increases by more than 50 percentage points over the lowest percentage of the shares of such corporation owned, directly or indirectly, by such "5-percent shareholders" at any time over the preceding three years.

Based on an analysis under Section 382 of the Internal Revenue Code (which subjects the amount of pre-change NOLs and certain other pre-change tax attributes that can be utilized to an annual limitation), we experienced ownership changes in 2009 and 2012, which substantially limit the future use of our pre-change NOLs and certain other pre-change tax attributes per year. In February 2017, we completed an equity financing for net proceeds of $24.8 million which triggered an additional ownership change under Section 382 that significantly impacted the availability of our tax attributes against future income. Further, due to the existence of a net unrealized built-in loss at the ownership change date, Section 382 further limits our ability to fully utilize the tax deductions associated with certain of our assets, including depreciation and amortization deductions recognized during the 60-month period following the ownership change ending in 2022. Although these deductions will occur in the post-change period, Section 382 treats the deductions as pre-change losses subject to the annual 382 limitation. As of March 31, 2021, we have excluded the NOLs and research and development credits that will expire as a result of the annual limitations. To the extent that we do not utilize our carry-forwards within the applicable statutory carry-forward periods, either because of Section 382 limitations or the lack of sufficient taxable income, the carry-forwards will also expire unused.

The 2017 tax reform law, as modified by 2020 tax legislation, and possible future changes in tax laws or regulations could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law comprehensive tax legislation (the "Tax Cuts and Jobs Act") that significantly revised the Internal Revenue Code of 1986, as amended (the "Code"). Future guidance from the U.S. Internal Revenue Service and other tax authorities with respect to the Tax Cuts and Jobs Act may affect us, and certain aspects of the Tax Cuts and Jobs Act could be repealed or modified in future legislation. For example, on March 27, 2020, the CARES Act was enacted, which includes changes to the tax provisions that benefit business entities and makes certain technical corrections to the Tax Cuts and Jobs Act. On June 29, 2020, California Assembly Bill 85 (AB 85) was signed into law, which suspends the use of California net operating losses and limits the use of California research tax credits for tax years beginning in 2020 and before 2023. Changes in corporate tax rates, the realization of net deferred tax assets relating to our U.S. operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Cuts and Jobs Act, the CARES Act, or future tax reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges in the current or future taxable years, and could increase our future U.S. tax expense. The foregoing items, as well as any other future changes in tax laws, could have a material adverse effect on our business, cash flow, financial condition, or results of operations. In addition, it is uncertain if and to what extent various states will conform to the Tax Cuts and Jobs Act, the CARES Act, or any newly enacted federal tax legislation.

Stockholder and private lawsuits, and potential similar or related lawsuits, could result in substantial damages, divert management's time and attention from our business, and have a material adverse effect on our results of operations.

Securities-related class action and stockholder derivative litigation has often been brought against companies, including many biotechnology companies, which experience volatility in the market price of their securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies often experience significant stock price volatility in connection with their product development programs.

It is possible that suits will be filed, or allegations received from stockholders, naming us and/or our officers and directors as defendants. These potential lawsuits are subject to inherent uncertainties, and the actual defense and disposition costs will depend upon many unknown factors. The outcome of these lawsuits is uncertain. We could be forced to expend significant resources in the defense of these suits, and we may not prevail. In addition, we may incur substantial legal fees and costs in connection with these 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 these actions could result in the payment of substantial damages, or possibly fines, and could have a material adverse effect on our cash flow, results of operations and financial position.

Monitoring, initiating and defending against legal actions, including any currently pending litigation, are time-consuming for our management, are likely to be expensive and may detract from our ability to fully focus our internal resources on our business activities. The outcome of litigation is always uncertain, and in some cases could include judgments against us that require us to pay damages, enjoin us from certain activities, or otherwise affect our legal or contractual rights, which could have a significant adverse effect on our business. In addition, the inherent uncertainty of any future litigation could lead to increased volatility in our stock price and a decrease in the value of an investment in our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 3, 2021, we issued 4,917 shares of our common stock to a warrant holder upon full exercise of the February 2016 common stock warrants held by Torreya Partners LLC on a cashless basis. In issuing these shares, we relied on an exemption from the registration requirements provided by Section 3(a)(9)of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	01/03/2012
3.2	Certificate of Amendment of Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	05/31/2012
3.3	Certificate of Amendment of Amended Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	05/28/2014
3.4	Certificate of Amendment to the Amended Certificate of Incorporation of XOMA Corporation	8-K	000-14710	3.1	10/18/2016
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series X Convertible Preferred Stock	8-K	000-14710	3.1	02/16/2017
3.6	Certificate of Designation of Preferences, Rights and Limitations of 8.625% Series A Cumulative Perpetual Preferred Stock	8-K	000-14710	3.1	12/11/2020
3.7	Certificate of Designation of Preferences, Rights and Limitations of 8.375% Series B Cumulative Perpetual Preferred Stock	8-K	000-39801	3.1	04/08/2021
3.8	By-laws of XOMA Corporation	8-K	000-14710	3.2	01/03/2012
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7 and 3.8				
4.2	Specimen of Common Stock Certificate	8-K	000-14710	4.1	01/03/2012
4.3	Deposit Agreement, dated effective April 9, 2021, by and among XOMA Corporation, American Stock Transfer & Trust Company, LLC, as depositary, and the holders of the depositary receipts issued thereunder	8-K	000-39801	4.1	04/08/2021
4.4	Form of Warrant (February 2016 Warrant)	10-Q	000-14710	4.9	05/04/2016
4.5	Form of Warrant (May 2018 Warrant)	10-Q	000-14710	4.6	08/07/2018
4.6	Form of Warrant (March 2019 Warrant)	10-Q	000-14710	4.7	05/06/2019
10.1+#	Royalty Purchase Agreement dated March 22, 2021 between XOMA (US) LLC and Viracta Therapeutics, Inc.				
31.1+	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
31.2+	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
32.1+	Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)(1)				
101.INS+	Inline XBRL Instance Document				
101.SCH+	Inline XBRL Schema Document				

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
101.CAL+	Inline XBRL Calculation Linkbase Document				
101.DEF+	Inline XBRL Definition Linkbase Document				
101.LAB+	Inline XBRL Labels Linkbase Document				
101.PRE+	Inline XBRL Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

\+ Filed herewith

\# Portions of this exhibit (indicated by asterisks) have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential.

(1) 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 the Registrant 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.

SIGNATURES

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

XOMA Corporation

Date: May 6, 2021

By: /s/ JAMES R. NEAL
James R. Neal
Chief Executive Officer (principal executive officer) and Director

Date: May 6, 2021

By: /s/ THOMAS BURNS
Thomas Burns
Senior Vice President, Finance and Chief Financial Officer (principal financial and principal accounting officer)

Exhibit 10.1

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

ROYALTY PURCHASE AGREEMENT

dated as of March 22, 2021

between

VIRACTA THERAPEUTICS, INC., as Seller,

and

XOMA (US) LLC, as Purchaser

TABLE OF CONTENTS

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

TABLE OF CONTENTS
(continued)

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

ROYALTY PURCHASE AGREEMENT

This **ROYALTY PURCHASE AGREEMENT** (this "**Agreement**") dated as of March 22, 2021 (the "Effective Date"), is between **VIRACTA THERAPEUTICS, INC.**, a corporation organized and existing under the laws of Delaware, with an office located at 2533 South Coast Highway 101, #210, Cardiff CA 92007 ("**Seller**"), and **XOMA (US) LLC**, a Delaware limited liability company with its principal place of business at 2200 Powell Street, Suite 310, Emeryville, California 94608 ("**Purchaser**").

W I T N E S E T H:

WHEREAS, pursuant to the Day One License Agreement, Seller has the right to receive certain milestone and royalty payments from Day One based on the development and sale of Day One Licensed Products (in each case, as defined below); and

WHEREAS, pursuant to the Denovo License Agreement, Seller has the right to receive certain milestone and royalty payments from Denovo based on the development and the sale of Denovo Licensed Products (in each case, as defined below); and

WHEREAS, Seller desires to sell, transfer, convey and grant to Purchaser, free and clear of all Liens (as defined below), and Purchaser desires to purchase, acquire and accept from Seller, the Purchased Royalty Payments (as defined below), upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, concurrently with the execution of this Agreement, Seller has caused the formation of SPV Subsidiary (as defined below) and contributed and transferred the Purchased Royalty Payments to SPV Subsidiary.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations and warranties set forth herein and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto (each a "**Party**," and collectively, the "**Parties**") covenant and agree as follows:

ARTICLE I
DEFINED TERMS AND RULES OF CONSTRUCTION

Section 1.1 Defined Terms. The following terms, as used herein, shall have the following respective meanings:

"**Adverse Change**" means any event, circumstance or change that could reasonably be expected to result, individually or in the aggregate, in a material adverse effect on: (a) the legality, validity or enforceability of any of the Transaction Documents, the License Agreements or the first priority security interest granted pursuant to Section 2.1(c); (b) the right or ability of Seller to perform any of its obligations under any of the Transaction Documents or under any License Agreement; (c) the right or ability of Seller to exercise any of its rights or remedies under any License Agreement;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(d) the right or ability of Seller or Purchaser to consummate the transactions contemplated hereunder or under any of the other Transaction Documents to which it is a party; (e) the right or ability of Seller to perform any of its obligations under any of the Transaction Documents or under any License Agreement; (f) the right or ability of Purchaser to exercise any of its rights or remedies under any of the Transaction Documents; (g) the timing, amount or duration of the Purchased Royalty Payments or the right of Purchaser to receive the Purchased Royalty Payments; or (h) the Product IP Rights or the Products.

"**Affiliate**" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with such Person.

"**Agreement**" has the meaning set forth in the preamble.

"**Applicable Law**" means, with respect to any Person, all laws, rules, regulations and orders of Governmental Authorities applicable to such Person or any of its properties or assets.

"**Bankruptcy Event**" means the occurrence of any of the following in respect of a Person: (a) an admission in writing by such Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors; (b) the filing of any petition or answer by such Person seeking to adjudicate itself as bankrupt or insolvent, or seeking for itself any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of such Person or its debts under any Applicable Law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization, examination, relief of debtors or other similar Applicable Law now or hereafter in effect, or seeking, consenting to or acquiescing in the entry of an order for relief in any case under any such Applicable Law, or the appointment of or taking possession by a receiver, trustee, custodian, liquidator, examiner, assignee, sequestrator or other similar official for such Person or for any substantial part of its property; (c) corporate or other entity action taken by such Person to authorize any of the actions set forth in clause (a) or clause (b) above; or (d) without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar Applicable Law, or the filing of any such petition against such Person, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person, in each case where such petition or order shall remain unstayed or shall not have been stayed or dismissed within 90 days from entry thereof; provided that in the case of an involuntary petition, such Person has not challenged such petition within 90 days thereof.

"**Bill of Sale**" means that certain bill of sale dated as of the Closing Date executed by Seller and Purchaser substantially in the form attached hereto as Exhibit A.

"**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in California are authorized or required by Applicable Law to remain closed.

"**CDA**" has the meaning set forth in Section 8.9.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"**Closing**" has the meaning set forth in Section 6.1.

"**Closing Date**" has the meaning set forth in Section 6.1.

"**Collateral**" means the Collateral (as defined in the Protective Rights Agreement).

"**Commercially Reasonable Efforts**" means, with respect to the efforts to be expended by a Party with respect to any objective, the same reasonable, diligent, good faith efforts to accomplish such objective as a commercially reasonable Person of similar character would normally use to accomplish a similar objective under similar circumstances. It is understood and agreed that with respect to the research, development and license of a Product by Seller, such efforts shall be substantially equivalent to those efforts and resources commonly used by a commercially reasonable Person of similar character for products owned by it or to which it has rights, which product is at a similar stage in its development or product life and is of similar market potential. Commercially Reasonable Efforts shall be determined on a market-by-market and indication-by-indication basis for a particular Product, and it is anticipated that the level of effort may be different for different markets, and may change over time, reflecting changes in the status of the Product and the market(s) involved.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have meanings correlative thereto.

"**Day One**" means DOT Therapeutics-1, Inc., a Delaware corporation, having a principal place of business at [*].

"**Day One Direction Letter**" means the Direction Letter executed by Seller substantially in the form attached hereto as Exhibit B.

"**Day One License Agreement**" means (a) that certain License Agreement For Raf, effective as of December 16, 2019, by and between Seller and Day One, as amended from time to time (the "Existing Day One License Agreement"), and (b) any New License Agreement relating to one or more of the Products licensed under the Existing Day One License Agreement (either now or in the future), as amended from time to time.

"**Day One Licensed Patents**" means "Patent Rights" as defined in the Day One License Agreement as of the date hereof.

"**Day One Licensed Product**" means (a) each "Product" as defined in the Day One License Agreement, and (b) in the case of a New License Agreement entered into by Seller in accordance with the terms hereof relating to any of the products listed directly above in subsection (a), the analogous term for "product," "licensed product," "compound" or any comparable concept as defined in the related New License Agreement.

"**Day One Royalty Payments**" means:

(a) all future milestone, royalty and other payments payable (i) by Day One pursuant to [*] of the Day One License Agreement at the times set forth therein, (ii) under any New License

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement during the applicable payment period set forth therein, and/or (iii) if a Terminated Day One Licensed Product (or a Day One Licensed Product terminated under a New License Agreement) is developed internally and sold by Seller or Third Parties on Seller's behalf, then such payments that would have been payable under the Day One License Agreement or such other License Agreement (as applicable) with respect to Net Sales of such Product(s) thereunder as applied to Net Sales of such Product(s) by Seller or Third Parties on Seller's behalf during the applicable periods as set forth therein, in each of the foregoing (i)-(iii), including Purchaser's applicable portion of any payments under a License Agreement in lieu of any such payments (including any amounts payable in lieu of any such royalty payments);

(b) all accounts (as defined under the UCC) evidencing the rights to the payments and amounts described in clause (a) above; and

(c) all proceeds (as defined under the UCC) of any of the foregoing;

provided however that [*].

"**Denovo**" means Denovo Biopharma LLC, a Delaware limited liability company having a principal place of business at [*].

"**Denovo Direction Letter**" means the Direction Letter executed by Seller substantially in the form attached hereto as Exhibit C.

"**Denovo License Agreement**" means (a) that certain Exclusive License Agreement by and between Seller and Denovo made as of December 5, 2019, as amended from time to time (the "Existing Denovo License Agreement"), and (b) any New License Agreement relating to one or more of the Products licensed under the Existing Denovo License Agreement (either now or in the future), as amended from time to time.

"**Denovo Licensed Patents**" means "Licensed Patents" as defined in the Denovo License Agreement as of the date hereof.

"**Denovo Licensed Product**" means (a) each "Licensed Product" as defined in the Denovo License Agreement, and (b) in the case of a New License Agreement entered into by Seller in accordance with the terms hereof relating to any of the products listed directly above in subsection (a), the analogous term for "product," "licensed product," "compound" or any comparable concept as defined in the related New License Agreement.

"**Denovo Royalty Payments**" means: (a) all future milestone, royalty and other payments payable (i) by Denovo pursuant to [*] of the Denovo License Agreement at the times set forth therein, net of any amounts payable to RPI pursuant to the Revenue Participation Agreement, (ii) under any New License Agreement during the applicable payment period set forth therein, and/or (iii) if a Terminated Denovo Licensed Product (or a Denovo Licensed Product terminated under a New License Agreement) is developed internally and sold by Seller or Third Parties on Seller's behalf, then such payments that would have been payable under the Denovo License Agreement or such other License Agreement (as applicable) with respect to Net Sales of such Product(s) thereunder as applied to Net Sales of such Product(s) by Seller or Third Parties on Seller's behalf during the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

applicable periods as set forth therein, in each of the foregoing (i)-(iii), including Purchaser's applicable portion of any payments under a License Agreement in lieu of any such payments (including any amounts payable in lieu of any such royalty payments);

(b) all accounts (as defined under the UCC) evidencing the rights to the payments and amounts described in clause (a) above; and

(c) all proceeds (as defined under the UCC) of any of the foregoing.

"**Disclosure Letter**" means the letter (if any) delivered by Seller to Purchaser at the Closing, in form and substance acceptable to Purchaser.

"**Disputes**" has the meaning set forth in Section 3.11(f).

"**Dollar**" or the sign "$" means United States dollars.

"**EMA**" shall mean the European Medicines Agency.

"**Excluded Liabilities and Obligations**" has the meaning set forth in Section 2.3.

"**FDA**" means the U.S. Food and Drug Administration and any successor agency thereto.

"**GAAP**" means generally accepted accounting principles in effect in the United States from time to time.

"**Governmental Authority**" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority (including supranational authority), commission, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including the FDA, the EMA and any other government authority in any jurisdiction.

"**Knowledge**" means (a) with respect to Seller, the actual knowledge of [*] and (b) with respect to Purchaser, the actual knowledge of [*] or, with respect to (a) and (b) directly above, their respective successors in such positions, or, in each case, to the extent any such person or position does not exist at any time, the knowledge of another person with equivalent responsibility, regardless of title.

"**Licensee**" means (a) any licensee under the Day One License Agreement or the Denovo License Agreement and any successor or permitted assignee thereunder, and (b) with respect to any New License Agreement entered into by Seller in accordance with the terms hereof, any licensee and any successor or permitted assignee thereof.

"**License Agreement**" means the Day One License Agreement, the Denovo License Agreement, and any New License Agreement, each as applicable.

"**Lien**" means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property or

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

other priority or preferential arrangement of any kind or nature whatsoever, in each case to secure payment of a debt or other liability or performance of an obligation, including any conditional sale or any sale with recourse.

"**Loss**" means any loss, assessment, award, cause of action, claim, charge, cost, expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses), fine, judgment, liability, obligation, penalty or Set-off.

"**Net Consideration**" means with respect to the Day One License Agreement the definition of "Net Consideration" as contained therein as of the date hereof.

"**Net Sales**" means:

(A) with respect to the Day One License Agreement, the definition of "Net Sales" as contained therein as of the date hereof.

(B) with respect to the Denovo License Agreement, the definition of "Net Sales" as contained therein as of the date hereof.

(C) with respect to any New License Agreement, the definition of "Net Sales" as defined therein.

(D) with respect to a Terminated Day One Licensed Product, not subject to a New License Agreement, "Net Sales" shall have the same meaning as the definition of "Net Sales" in the Day One License Agreement as of the date hereof, with the necessary changes being made to replace all references to Day One with Seller.

(E) with respect to a Terminated Denovo Licensed Product, not subject to a New License Agreement, "Net Sales" shall have the same meaning as the definition of "Net Sales" in the Denovo License Agreement as of the date hereof, with the necessary changes being made to replace all references to Denovo with Seller.

"**New Arrangement**" has the meaning set forth in Section 5.6(a).

"**New License Agreement**" has the meaning set forth in Section 5.6(b).

"**Party**" and "**Parties**" has the meaning set forth in the preamble.

"**Patents**" means: (a) all national, regional and international patents and patent applications including provisional patent applications and rights to claim priority from any of these patents or applications; (b) all patent applications filed from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations in part, provisionals, converted provisionals and continued prosecution applications; (c) any and all patents that have issued or in the future issue from patents or patent applications ((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 substitutions, reexaminations, revalidations, reissues, renewals, and extensions thereof (including any patent term extensions, supplementary protection

certificates, and any other extension of term by any appropriate Governmental Authority) of the foregoing patents or patent applications, and (e) any other post-grant proceedings and all foreign equivalents thereof.

"**Patent Office**" means the applicable patent office, including the United States Patent and Trademark Office and any comparable foreign patent office or any other comparable Governmental Authority within or outside the U.S., for any Product IP Rights that are Patents.

"**Permitted Liens**" means any Liens created, permitted or required by the Transaction Documents in favor of Purchaser or its Affiliates and any Liens imposed by the Revenue Participation Agreement.

"**Person**" means any natural person, firm, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or any other legal entity, including public bodies, whether acting in an individual, fiduciary or other capacity.

"**Products**" means each of the Day One Licensed Products and the Denovo Licensed Products.

"**Product IP Rights**" means, all intellectual property rights owned or Controlled by Seller relating to the Products, arising from or associated with the following, whether protected, created or arising under the laws of the United States or any other jurisdiction: (a) trade names, trademarks and service marks (registered and unregistered), domain names and other Internet addresses or identifiers, trade dress and similar rights, and applications (including intent to use applications and similar reservations of marks and all goodwill associated therewith) to register any of the foregoing (collectively, "**Trademarks**"); (b) Patents (including the Product Patents); (c) copyrights (registered and unregistered) and applications for registration (collectively, "**Copyrights**"); (d) trade secrets, know-how, inventions, methods, processes and processing instructions, technical data, specifications, research and development information, technology including rights and licenses, product roadmaps, customer lists and any other information, in each case to the extent any of the foregoing derives economic value (actual or potential) from not being generally known to other persons who can obtain economic value from its disclosure or use, excluding any Copyrights or Patents that may cover or protect any of the foregoing (collectively, "**Trade Secrets**"); and (e) moral rights, publicity rights, data base rights and any other proprietary or intellectual property rights of any kind or nature that do not comprise or are not protected by Trademarks, Patents, Copyrights or Trade Secrets.

"**Product Patent**" means a Patent (including patent applications) applicable to a Product, including the Day One Licensed Patents and Denovo Licensed Patents, and including those listed in Exhibit E.

"**Protective Rights Agreement**" shall mean the Protective Rights Agreement by and between Seller and Purchaser to be executed at the Closing, which Protective Rights Agreement shall be substantially in the form attached hereto as Exhibit D. For the avoidance of doubt, the Protective Rights Agreement is not intended to derogate from the validity of the true and absolute sale of the Purchased Royalty Payments, as contemplated by this Agreement and as evidenced by the Bill of

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Sale, but rather is being executed and delivered solely to protect Purchaser's interests to the extent such sale becomes subject to a Recharacterization despite the Parties' intentions.

[*]

"**Purchased Royalty Payments**" means the Day One Royalty Payments and the Denovo Royalty Payments.

"**Purchase Price**" has the meaning set forth in Section 2.2.

"**Purchaser** " has the meaning set forth in the preamble.

"**Purchaser Account**" means Purchaser's deposit account with SVB which account Purchaser may change from time to time by furnishing written notice to Seller.

"**Purchaser Indemnified Party**" has the meaning set forth in Section 7.1.

"**Recharacterization**" means a judgment or order by a court of competent jurisdiction that Seller's right, title and interest in, to and under the Day One License Agreement or the Denovo License Agreement, as applicable, and the Purchased Royalty Payments were not fully sold and transferred to Purchaser pursuant to, as contemplated by, and subject to the provisions of this Agreement and the Bill of Sale, but instead that such transaction(s) constituted a loan and security device.

"**Recoveries**" has the meaning set forth in Section 5.5(e)(ii).

"**Regulatory Agency**" means a Governmental Authority with responsibility for the approval of the marketing and sale of pharmaceuticals or other regulation of pharmaceuticals in any jurisdiction.

"**Regulatory Approvals**" means with respect to the Day One License Agreement the definition of "Regulatory Approval" as contained therein as of the date hereof and with respect to the Denovo License Agreement the definition of "Marketing Approval" as contained therein as of the date hereof.

"**Revenue Participation Agreement**" means that certain Revenue Participation Agreement by and between Sunesis Pharmaceuticals, Inc., and RPI Finance Trust dated as of March 29, 2012, as amended on April 11, 2017 and December 6, 2019.

"**RPI**" means the RPI Finance Trust, a Delaware statutory trust.

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

"**Seller**" has the meaning set forth in the preamble.

"**Seller Account**" means the Seller's account with SVB.

"**Seller Indemnified Party**" has the meaning set forth in Section 7.2.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"**Set-off**" means any set-off, off-set, rescission, counterclaim, credit, reduction, or deduction, including any such item resulting from Seller's breach of the Day One License Agreement or the Denovo License Agreement.

"**SPV Subsidiary**" means Viracta Royalty Fund, LLC, a newly-formed special purpose vehicle, organized in the State of Delaware as a limited liability company and 100% wholly-owned subsidiary of Seller. The governing documents of the SPV Subsidiary shall include a limited liability company agreement substantially in the form of Exhibit G hereto (the "**SPV LLC Agreement**").

"**Sublicensee**" means any licensee of the Licensee under the Day One License Agreement, the Denovo License Agreement, or a New License Agreement.

"**SVB**" means Silicon Valley Bank.

"**Tax**" or "**Taxes**" means any federal, state, local or non-U.S. income, gross receipts, license, payroll, employment, excise, severance, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, abandoned property, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"**Terminated Day One Licensed Product**" means a Day One Licensed Product that is terminated by Day One pursuant to [*] of the Day One License Agreement such that it is no longer a Day One Licensed Product under the Day One License Agreement.

"**Terminated Denovo Licensed Product**" means a Denovo Licensed Product that is terminated by Denovo pursuant to [*] of the Denovo License Agreement such that it is no longer a Denovo Licensed Product under the Day One License Agreement.

"**Third Party**" shall mean any Person other than Seller or Purchaser or their respective Affiliates.

"**Transaction Documents**" means this Agreement, the Bill of Sale, the CDA, the Protective Rights Agreement and the Disclosure Letter (if any).

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of Delaware; provided that if with respect to any financing statement or by reason of any provisions of Applicable Law, the perfection or the effect of perfection or non-perfection of the first priority security interest or any portion thereof granted pursuant to Section 2.1(c) is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than the State of Delaware, then "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of this Agreement and any financing statement relating to such perfection or effect of perfection or non-perfection.

"**U.S.**" or "**United States**" means the United States of America, its fifty (50) states, each territory thereof and the District of Columbia.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"**Valid Claim**" means a claim of any unexpired Patent that has not been withdrawn, canceled or disclaimed nor held to be invalid or unenforceable by a court or tribunal of competent jurisdiction in an unappealed or unappealable decision or, in the case of any patent application, that has not been finally rejected in an appealed or unappealable decision by the relevant patent office.

Section 1.2 Rules of Construction. Unless the context otherwise requires, in this Agreement:

(a) A term has the meaning assigned to it and an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP.

(b) Unless otherwise defined, all terms that are defined in the UCC shall have the meanings stated in the UCC.

(c) Words of the masculine, feminine or neuter gender shall mean and include the correlative words of other genders.

(d) The definitions of terms shall apply equally to the singular and plural forms of the terms defined.

(e) The terms "include", "including" and similar terms shall be construed as if followed by the phrase "without limitation".

(f) Unless otherwise specified, references to an agreement or other document include references to such agreement or document as from time to time amended, restated, reformed, supplemented or otherwise modified in accordance with the terms thereof (subject to any restrictions on such amendments, restatements, reformations, supplements or modifications set forth herein or in any of the other Transaction Documents) and include any annexes, exhibits and schedules attached thereto.

(g) References to any Applicable Law shall include such Applicable Law as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(h) References to any Person shall be construed to include such Person's successors and permitted assigns (subject to any restrictions on assignment, transfer or delegation set forth herein or in any of the other Transaction Documents), and any reference to a Person in a particular capacity excludes such Person in other capacities.

(i) The word "will" shall be construed to have the same meaning and effect as the word "shall".

(j) The words "hereof", "herein", "hereunder" and similar terms when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision hereof, and Article, Section and Exhibit references herein are references to Articles and Sections of, and Exhibits to, this Agreement unless otherwise specified.

(k) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding".

(l) Where any payment is to be made, any funds are to be applied or any calculation is to be made under this Agreement on a day that is not a Business Day, unless this Agreement otherwise provides, such payment shall be made, such funds shall be applied and such calculation shall be made on the succeeding Business Day, and payments shall be adjusted accordingly.

(m) Any reference herein to a term that is defined by reference to its meaning in the License Agreement shall refer to such term's meaning in the License Agreement (including any other defined terms in such License Agreement that are included in such term's meaning thereunder) as in existence on the date hereof.

ARTICLE II
PURCHASE AND SALE OF THE PURCHASED ROYALTY PAYMENTS

Section 2.1 Purchase and Sale.

(a) Subject to the terms and conditions of this Agreement, on the Closing Date, Seller hereby sells, transfers and conveys to Purchaser, and Purchaser hereby purchases, acquires and accepts from Seller, all of Seller's rights, title and interest in and to the Purchased Royalty Payments, free and clear of any and all Liens, other than Permitted Liens.

(b) Seller and Purchaser intend and agree that the sale, transfer and conveyance of the Purchased Royalty Payments under this Agreement shall be, and are, a true, complete, absolute and irrevocable transfer and sale by Seller to Purchaser of the Purchased Royalty Payments and that such transfer and sale shall provide Purchaser with the full benefits of one hundred percent (100%) ownership of the Purchased Royalty Payments. Neither Seller nor Purchaser intends the transactions contemplated under the Transaction Documents to be, or for any purpose to be characterized as, a loan from Purchaser to Seller or a pledge. Seller waives any right to contest or otherwise assert that this Agreement does not constitute a true, complete, absolute and irrevocable sale by Seller to Purchaser of the Purchased Royalty Payments under Applicable Law, which waiver shall be enforceable against Seller in any Bankruptcy Event in respect of Seller. The sale, transfer, conveyance and granting of the Purchased Royalty Payments shall be reflected on Seller's financial statements and other records as a sale of assets to Purchaser.

(c) Notwithstanding the foregoing Section 2.1(b), Seller hereby grants and pledges to Purchaser, as security for its obligations created hereunder in the event that the transfer contemplated by this Agreement is held not to be a true sale, a first priority security interest in and to all of Seller's right, title and interest in, to and under the Day One Royalty Payments, whether now owned or hereafter acquired, and any proceeds thereof (as such term is defined in the UCC) and, solely in such event, this Agreement shall constitute a security agreement. In furtherance of such grant of a first priority security interest, Seller hereby authorizes Purchaser or its designee, and Seller shall reasonably cooperate with Purchaser, to execute, record and file, and consents to Purchaser or its designee executing, recording and filing, at Purchaser's sole cost and expense, financing statements in the appropriate filing offices under the UCC (and continuation statements

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

with respect to such financing statements when applicable), and amendments thereto or assignments thereof, in such manner and in such jurisdictions as are necessary or appropriate to evidence and perfect the sale of the Purchased Royalty Payments and the first priority security interest in the Day One Royalty Payments granted by Seller to Purchaser under this Section 2.1(c).

Section 2.2 Purchase Price. In consideration for the sale transfer and conveyance of the Purchased Royalty Payments, and subject to the terms and conditions set forth herein, Purchaser shall pay (or cause to be paid) to Seller, or Seller's designee, on the Closing Date, the sum of Thirteen Million Five Hundred Thousand Dollars ($13,500,000), in immediately available funds by wire transfer to Seller Account (the "**Purchase Price**").

Section 2.3 No Assumed Obligations. Notwithstanding any provision in this Agreement or any other writing to the contrary, Purchaser is purchasing, acquiring and accepting only the Purchased Royalty Payments and is not assuming any liability or obligation of Seller or any of Seller's Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter, whether known or unknown (including any liability or obligation of Seller under a License Agreement and any payments required to be made to Third Parties). All such liabilities and obligations shall be retained by and remain liabilities and obligations of Seller or its Affiliates, as the case may be (the "**Excluded Liabilities and Obligations**").

Section 2.4 Excluded Assets. Purchaser does not, by purchase, acquisition or acceptance of the rights, title or interest granted hereunder or otherwise pursuant to any of the Transaction Documents, purchase, acquire or accept any assets or rights, contract or otherwise, of Seller other than the Purchased Royalty Payments. In addition, Purchaser does not, by purchase, acquisition or acceptance of the rights, title or interest granted hereunder or otherwise pursuant to any of the Transaction Documents, purchase, acquire or accept any assets or rights, contract or otherwise, of Seller in such Purchased Royalty Payments, if any, that were paid or due and payable to Seller prior to the Effective Date. If either Party becomes aware that Purchaser has erroneously received a payment of any amounts from any Licensee that are not Purchased Royalty Payments, it shall notify the other Party and Purchaser shall remit such amounts to Seller within [*] Business Days of the date such notice is received.

Section 2.5 Closing Deliverables of Seller. At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following:

(a) this Agreement executed by Seller;

(b) the Bill of Sale executed by Seller;

(c) the Disclosure Letter if any;

(d) a certificate executed by an executive officer of Seller (the statements made in which shall be true and correct on and as of the Closing Date): (i) attaching copies, certified by such officer as true and complete, of (1) the constitutive documents of Seller and (2) resolutions of the board of directors or other governing body of Seller authorizing and approving the execution, delivery and performance by Seller of the Transaction Documents and the transactions contemplated herein and therein and (ii) setting forth the incumbency of the officer(s) of Seller

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

who have executed and delivered the Transaction Documents, including therein a signature specimen of each such officer(s);

(e) the Protective Rights Agreement executed by Seller and together with UCC-1 financing statements for filing under the UCC to Delaware; and

(f) such other certificates, documents and financing statements, executed by Seller as applicable, as Purchaser may reasonably request, including a UCC financing statement reasonably satisfactory to Purchaser to create, evidence and perfect the sale, transfer, conveyance and grant of the Purchased Royalty Payments pursuant to Section 2.1 and the first priority security interest granted pursuant to Section 2.1(c).

Section 2.6 Closing Deliverables of Purchaser. At the Closing, Purchaser shall execute and deliver or cause to be delivered to Seller the following:

(a) this Agreement;

(b) the Bill of Sale; and

(c) the Purchase Price in accordance with Section 2.2.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Letter, Seller hereby represents and warrants to Purchaser as of the date hereof as follows:

Section 3.1 Organization. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of State of Delaware and has all necessary corporate power and authority, and all licenses, permits, franchises, authorizations, consents and approvals, required to own its property and conduct its business as now conducted (except where the failure to do so would not reasonably be expected to result in an Adverse Change) and to exercise its rights and to perform its obligations under the Day One License Agreement, the Denovo License Agreement and the Transaction Documents. Seller is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification or good standing is required by Applicable Law (except where the failure to be so qualified or in good standing would not reasonably be expected to result in an Adverse Change).

Section 3.2 No Conflicts.

(a) None of the execution and delivery by Seller of any of the Transaction Documents, the performance by Seller of the obligations contemplated hereby or thereby or the consummation of the transactions contemplated by this Agreement or any of the other Transaction Documents will: (i) contravene, conflict with, result in a breach, violation, cancellation or termination of, constitute a default (with or without notice or lapse of time, or both) under, require prepayment under, give any Person the right to exercise any remedy or obtain any additional rights under, or accelerate the maturity or performance of or payment under, in any respect, (1) any Applicable Law or any judgment, order, writ, decree, permit or license of any Governmental

Authority, in any case, applicable to Seller or any of its Affiliates, the Purchased Royalty Payments, the Collateral, or to which Seller's or any of its Affiliates' respective assets or properties may be subject or bound, (2) any term or provision of any material contract, agreement, indenture, lease, license, deed, commitment, obligation or instrument to which Seller or any of its Affiliates is a party or by which Seller or any of its Affiliates or any of their respective assets or properties, or any Collateral, is bound or committed (including a License Agreement) or (3) any term or provision of any of the organizational documents of Seller; (ii) except for the filing of the UCC-1 financing statements required hereunder (or under the Protective Rights Agreement), require any notification to, filing with, or consent of, any Person or Governmental Authority; (iii) give rise to any additional right of termination, cancellation or acceleration of any right or obligation of Seller or any of its Affiliates or any other Person, or to a loss of any benefit relating to the Purchased Royalty Payments or any of the other Collateral; or (iv) except as provided in any of the Transaction Documents, result in or require the creation or imposition of any Lien on the Product IP Rights, the Products, the Day One License Agreement, the Denovo License Agreement, the Purchased Royalty Payments, or any of the other Collateral.

(b) Except for Permitted Liens and [*], Seller has not granted, any Lien on the Transaction Documents, the License Agreements, the Purchased Royalty Payments, the Product IP Rights, the Products, or any of the other Collateral other than pursuant to the Protective Rights Agreement.

Section 3.3 Authorization.

(a) Seller has the legal right under the terms of the Day One License Agreement, the Denovo License Agreement and Applicable Law to enter into this Agreement and each of the other Transaction Documents, including, without limitation, the right to sell, transfer and convey the Purchased Royalty Payments to Purchaser as contemplated hereby and by the other Transaction Documents.

(b) Seller has all power and authority to execute and deliver, and perform its obligations under, each of the Transaction Documents and to consummate the transactions contemplated by this Agreement and the other Transaction Documents. The execution and delivery of each of the Transaction Documents and the performance by Seller of its obligations hereunder and thereunder have been duly authorized by Seller. Each of the Transaction Documents has been, and will be (as applicable), duly executed and delivered by Seller. Each of the Transaction Documents constitutes and will constitute (as applicable) when executed and delivered by Seller, the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar Applicable Laws affecting creditors' rights generally and general equitable principles.

Section 3.4 Ownership.

(a) Seller is the exclusive owner of the entire right, title (legal and equitable) and interest in, to and under the Purchased Royalty Payments and has good and valid title thereto, free and clear of all Liens (other than Permitted Liens). Other than Permitted Liens, the Purchased Royalty Payments, in whole or in part, have not been pledged, sold, assigned, transferred, conveyed or granted by Seller to any Person other than Purchaser. Seller has full right to sell,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

assign, transfer and convey the Purchased Royalty Payments to Purchaser. Upon the sale, assignment, transfer and conveyance by Seller of the Purchased Royalty Payments to Purchaser and Purchaser shall acquire good, valid and marketable title to the Purchased Royalty Payments free and clear of all Liens (other than Permitted Liens), and, subject to those rights retained by Seller pursuant to this Agreement, shall be the exclusive owner of the Purchased Royalty Payments.

(b) No Person other than Purchaser shall have any right to receive the Purchased Royalty Payments payable under this Agreement and the License Agreements (other than to the extent Purchaser assigns its right to receive such Purchased Royalty Payments to any other Person as permitted herein).

Section 3.5 Governmental and Third-Party Authorizations. The execution and delivery by Seller of the Transaction Documents, the performance by Seller of its obligations hereunder and thereunder and the consummation of any of the transactions contemplated hereunder and thereunder (including the sale, assignment, transfer and conveyance of the Purchased Royalty Payments to Purchaser) do not require any consent, approval, license, order, authorization or declaration from, notice to, action or registration by or filing with any Governmental Authority or any other Person, except for the filing of UCC financing statements, and any consent, approval, license, order, authorization or declaration previously obtained.

Section 3.6 No Litigation. To the Knowledge of Seller, there is no (a) action, suit, arbitration proceeding, claim, demand, citation, summons, subpoena, investigation or other proceeding (whether civil, criminal, administrative, regulatory, investigative or informal) pending or threatened, against, relating to or affecting any Product, any Product IP Rights, or the Purchased Royalty Payments, at law or in equity, or (b) inquiry or investigation (whether civil, criminal, administrative, regulatory, investigative or informal) by or before a Governmental Authority pending or threatened against, relating to or affecting any Product, any Product IP Rights, or the Purchased Royalty Payments, that, in each case, (i) could reasonably be expected to result in an Adverse Change, or (ii) challenges or seeks to prevent, enjoin, alter, delay, make illegal or otherwise interfere with the consummation of any of the transactions contemplated by any of the Transaction Documents. To the Knowledge of Seller, no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such action, suit, arbitration, proceeding, claim, demand, citation, summons, subpoena, investigation, or other proceeding.

Section 3.7 Solvency; No Adverse Change. Seller has determined that, and by virtue of its entering into the transactions contemplated by the Transaction Documents and its authorization, execution and delivery of the Transaction Documents, Seller's incurrence of any liability hereunder or thereunder or contemplated hereby or thereby is in its own best interests. Upon consummation of the transactions contemplated by the Transaction Documents and the application of the proceeds therefrom, (a) the present fair saleable value of Seller's property and assets will be greater than the sum of its debts, liabilities and other obligations, including contingent liabilities, (b) the present fair saleable value of Seller's property and assets will be greater than the amount that would be required to pay its probable liabilities on its existing debts, liabilities and other obligations, including contingent liabilities, as they become absolute and matured, (c) Seller will be able to realize upon its assets and pay its debts, liabilities and other obligations, including contingent obligations, as they mature, (d) Seller will not be rendered

insolvent, will not have unreasonably small capital with which to engage in its business and will not be unable to pay its debts as they mature, (e) Seller has not incurred and does not have any present plans or intentions to incur debts, liabilities or other obligations beyond its ability to pay such debts, liabilities or other obligations as they become absolute and matured, (f) Seller will not have become subject to any Bankruptcy Event, and (g) Seller will not have been rendered insolvent within the meaning of Section 101(32) of Title 11 of the United States Code. No step has been taken or is intended by Seller or, to the Knowledge of Seller, any other Person to make Seller subject to a Bankruptcy Event. To the Knowledge of Seller, no event has occurred and no condition exists that could reasonably be expected to result in an Adverse Change.

Section 3.8 Tax Matters. Seller has filed (or caused to be filed) all Tax returns and reports required by Applicable Law to have been filed by it, and all such Tax returns and reports are true, correct and complete, and Seller has paid all Taxes required to be paid by it, except for any such Taxes that are not yet due or delinquent or Taxes that are being diligently contested in good faith by appropriate proceedings and for which adequate reserves have been set aside. There are no Liens for Taxes upon the Purchased Royalty Payments or any of Seller's assets.

Section 3.9 No Brokers' Fees. Seller has not taken any action that would entitle any Person to any commission or broker's fee in connection with the transactions contemplated by the Transaction Documents.

Section 3.10 Compliance with Laws. Seller (a) has not violated, is not in violation of, or has not been given notice of any violation of, and (b) is not subject to, is not under investigation with respect to, or has not been threatened to be charged with or been given notice of any violation of, any Applicable Law, judgment, order, writ, decree, injunction, stipulation, consent order, permit or license granted, issued or entered by any Governmental Authority, in each case with respect to clauses (a) and (b) above, that could reasonably be expected, individually or in the aggregate, to result in an Adverse Change. Seller is in material compliance with the requirements of all Applicable Laws a breach of any of which could reasonably be expected to result in an Adverse Change.

Section 3.11 Intellectual Property Matters.

(a) To the Knowledge of Seller, Exhibit E sets forth an accurate and complete list of all Product Patents licensed to pursuant to the License Agreements, including for each such Product Patent: (i) the jurisdictions in which such Product Patent is pending, allowed, granted or issued, (ii) the patent number or pending patent application serial number, (iii) the filing date of such Product Patent, and (iv) the owner of such Product Patent.

(b) To the Knowledge of Seller, the Product Patents listed or required to be listed on Section 3.11(a) of Exhibit E are valid and enforceable, and in full force and effect. To the Knowledge of Seller, each claim of any such issued Product Patent is a Valid Claim .

(c) To the Knowledge of Seller, except as provided for in the License Agreements and the Revenue Participation Agreement, Seller is the sole and exclusive owner or exclusive licensor of all right, title and interest in each of the Product Patents. Seller has not pledged, assigned, sold, licensed, conveyed, granted, or otherwise transferred any rights to any of

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

the Product Patents to any Person other than pursuant to the Revenue Participation Agreement and the licenses granted to (i) Day One pursuant to the Day One License Agreement and (ii) Denovo pursuant to the Denovo License Agreement.

(d) To the Knowledge of Seller: (i) there are no unpaid maintenance or renewal fees payable to any Third Party that currently are overdue for any of the Product Patents listed or required to be listed on Section 3.11(a) of Exhibit E, (ii) no Product Patents listed or required to be listed on Section 3.11(a) of Exhibit E have lapsed or been abandoned, cancelled or expired, (iii) each individual associated with the filing and prosecution of the Patents, including the named inventors of the Product Patents complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office, including any duty to disclose to any Patent Office all information known by such inventors to be material to the patentability of each of the Product Patents (including any relevant prior art), in each case, in those jurisdictions where such duties exist, and (iv) there is no Person who is or claims to be an inventor of any of the Product Patents who is not a named inventor thereof.

(e) To the Knowledge of Seller, Seller has not been involved in any interference, re-examination, opposition, derivation or other post-grant proceedings involving any of the Product Patents.

(f) With the exception of: (i) *ex parte* patent prosecution with respect to the Product Patents and (ii) and proceedings before any Regulatory Agency with respect to the Products being prosecuted by Seller or a Licensee, to the Knowledge of Seller, there is no opposition, interference, reexamination, derivation or other post-grant proceeding, injunction, claim, suit, action, citation, summon, subpoena, hearing, inquiry, investigation (by the International Trade Commission or otherwise), complaint, arbitration, mediation, demand, decree or other dispute, disagreement, proceeding or claim (collectively, "**Disputes**") pending or, to the Knowledge of Seller, threatened, challenging the legality, validity, enforceability or ownership of or otherwise relating to any of the Product IP Rights (including the Product Patents) or that could give rise to any Set-off against the Purchased Royalty Payments. There are no Disputes pending, or to the Knowledge of Seller, threatened, involving Seller and any Product, or, to the Knowledge of Seller, pending or threatened against any other Person (including Day One, Denovo and any Sublicensees) and relating to any Product. To the Knowledge of Seller, neither any of the Product IP Rights (including the Patents) nor any Products is subject to any outstanding injunction, judgment, order, decree, ruling, settlement or other disposition of a Dispute. Seller has not commissioned, nor has it received, any written legal opinion that alleges that an issued Patent within the Product Patents is invalid or unenforceable.

(g) To the Knowledge of Seller, there is no pending or threatened, and no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) could reasonably be expected to give rise to or serve as a basis for any, action, suit or proceeding, or any investigation or claim by any Person that claims that the development, manufacture, use, marketing, sale, offer for sale, importation or distribution of any Product does or could infringe on any Patent or other intellectual property rights of any other Person or constitute misappropriation of any other Person's trade secrets or other intellectual property rights. To the Knowledge of Seller, neither Seller nor any Licensee has received any written notice asserting or claiming any such infringement or misappropriation in respect of any Product. To the Knowledge of Seller, there are

no issued Patents owned by any Third Party that limit or would be infringed by or otherwise violated by the development, manufacture, use, marketing, sale, offer for sale, importation or distribution of any Product.

(h) To the Knowledge of Seller, no Person has infringed or otherwise violated, or is infringing or otherwise violating, any Product IP Rights. Seller has not received any notice of infringement of any Product IP Rights.

(i) To the Knowledge of Seller, each of Seller and Day One and Denovo, has taken all reasonable precautions to protect the secrecy, confidentiality and/or value of any Trade Secrets included among the Product IP Rights and any other Product IP Rights that are of a confidential and proprietary nature (including any know-how).

(j) To the Knowledge of Seller, except for the Product Patents, neither Seller nor any of Seller's Affiliates owns or licenses any Patents that, absent a license, would be infringed by the development, manufacture, use, sale, offer for sale or importation of any Product.

(k) To the Knowledge of Seller, Seller has not commissioned, nor has it received, any written legal opinion relating to any Product or Product Patent, including any freedom-to-operate, product clearance, patentability or right-to-use opinion.

Section 3.12 License Agreements.

(a) Other than the Transaction Documents, the Day One License Agreement, the Denovo License Agreement, and the Revenue Participation Agreement, there is no contract, agreement or other arrangement (whether written or oral) to which Seller or any of its Affiliates is a party or by which any of their respective assets or properties is bound or committed (i) that affects or otherwise relates to the Purchased Royalty Payments, the Day One License Agreement as it relates to the Purchased Royalty Payments, the Denovo License Agreement as it relates to the Purchased Royalty Payments, or the Product IP Rights, or (ii) for which breach, non-performance, termination, cancellation or failure to renew could reasonably be expected to result in an Adverse Change. Neither the Day One License Agreement nor the Denovo License Agreement creates a Lien on the Purchased Royalty Payments or the Product IP Rights.

(b) Attached hereto as Exhibit F, are true, correct and complete copies of the Day One License Agreement, the Denovo License Agreement and the Revenue Participation Agreement and any amendments, modifications, side letters relating thereto, as in effect on the date hereof, and there have been no amendments or modifications to such agreements nor any side letters in respect thereof which are not reflected in such Exhibit F.

(c) Each of the Day One License Agreement and the Denovo License Agreement is in full force and effect and is the legal, valid and binding obligation of Seller and, to the Knowledge of Seller, Day One and Denovo (as applicable), enforceable against Seller and, to the Knowledge of Seller, Day One and Denovo (as applicable), in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar Applicable Laws affecting creditors' rights generally and general equitable principles. The execution and delivery of, and performance of obligations under, each of the Day One License

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement and Denovo License Agreement were and are within the powers of Seller, and to the Knowledge of Seller, Day One and Denovo (as applicable). Each of the Day One License Agreement and the Denovo License Agreement were duly authorized by all necessary action on the part of, and validly executed and delivered by, Seller and, to the Knowledge of Seller, Day One and Denovo (as applicable). Following the execution and delivery of the Transaction Documents and the performance of the Parties' rights and obligations under this Agreement and the other Transaction Documents, each of the Day One License Agreement and the Denovo License Agreement will continue in full force and effect, without modification, except as expressly set forth in the Day One Direction Letter or the Denovo Direction Letter (as applicable) as specified in the Transaction Documents, and shall remain the legal, valid and binding obligation of Seller and, to the Knowledge of Seller, Day One and Denovo, respectively, enforceable against Seller and, to the Knowledge of Seller, Day One and Denovo, respectively, in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar Applicable Laws affecting creditors' rights generally and general equitable principles. Neither Day One nor Denovo have notified Seller, in writing or otherwise, that the transactions contemplated by the Transaction Documents could reasonably be expected to result in or give rise to the right to claim any breach, violation, cancellation or termination of, constitute a default under, or give Day One or Denovo, respectively, the right to exercise any remedy or obtain any additional rights under, the Day One License Agreement or the Denovo License Agreement, or that the either of the Day One License Agreement or the Denovo License Agreement is not enforceable against Day One or Denovo, respectively, in whole or in part. Except as set forth in the Day One Direction Letter and the Denovo Direction Letter (as applicable), neither Day One, nor Denovo nor any other Person has any right to consent to, approve, review or receive notice of the execution and delivery of the Transaction Documents and the performance of the Parties' rights and obligations hereunder and thereunder.

(d) None of Seller, and to the Knowledge of Seller, Day One or Denovo are in breach or violation of or in default under or have previously been in material breach or material violation of or in material default under, the Day One License Agreement, the Denovo License Agreement or the Revenue Participation Agreement (as applicable). To the Knowledge of Seller, Seller has not received or sent any notice (i) regarding the termination, breach, default or violation of, or the intention to terminate, breach, default, or violate, the Day One License Agreement, the Denovo License Agreement, or the Revenue Participation Agreement respectively, in whole or in part; (ii) that any event has occurred that, with notice or the passage of time or both, would constitute a default under the Day One License Agreement, the Denovo License Agreement or the Revenue Participation Agreement, respectively; (iii) challenging the legality, validity or enforceability of the Day One License Agreement or Day One's obligation to pay the Day One Royalty Payments thereunder or the Denovo License Agreement or Denovo's obligation to pay the Denovo Royalty Payments thereunder; (iv) asserting that any of Seller or Day One or Denovo is in default of their obligations thereunder; or (v) regarding infringement under the Day One License Agreement or the Denovo License Agreement, respectively. Seller has no intention of terminating either the Day One License Agreement or the Denovo License Agreement. To the Knowledge of Seller, no event has occurred that, with notice or the passage of time or both, would (1) give either Day One or Denovo the right to cease paying the Day One Royalty Payments or the Denovo Royalty Payments, (2) give Day One or Seller the right to terminate the Day One License Agreement, Denovo or Seller the right to terminate the Denovo License Agreement or (3) constitute or give rise to any breach or default in the performance of any of the Day One License

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement, the Denovo License Agreement, or the Revenue Participation Agreement by Seller or Day One, Denovo, or RPI (as applicable).

(e) Seller has not waived any rights or defaults under the Day One License Agreement or the Denovo License Agreement, respectively, or released either of Day One or Denovo, in whole or in part, from any of its obligations thereunder, and, to the Knowledge of Seller, other than modifications in place at the time of this Agreement, there are no other waivers, or modifications (or pending requests therefor), in respect of the Day One License Agreement, the Denovo License Agreement or the Revenue Participation Agreement. Other than those modifications in place at the time of this Agreement, none of Seller, Day One, Denovo, or RPI has agreed to further amend or waive any provision of the Day One License Agreement, the Denovo License Agreement or the Revenue Participation Agreement (as applicable).

(f) Except as provided in the Day One License Agreement or the Denovo License Agreement (as applicable), and the Revenue Participation Agreement, Seller is not a party to any agreement providing for a sharing of, or providing for, or permitting any Set-off against, the Day One Royalty Payments or the Denovo Royalty Payments (as applicable). To the Knowledge of Seller, except as provided in the Day One License Agreement or the Denovo License Agreement (as applicable), neither Day One nor Denovo has any right of Set-off under any contract or other agreement against the Day One Royalty Payments or the Denovo Royalty Payments, respectively, or any other amounts payable to Seller pursuant to the Day One License Agreement or the Denovo License Agreement, respectively. Neither Day One nor Denovo has exercised, and, to the Knowledge of Seller, has not had the right to exercise, and, to the Knowledge of Seller, no event or condition exists that, upon notice or passage of time or both, could reasonably be expected to permit Day One or Denovo to exercise, any Set-off against the Day One Royalty Payments or the Denovo Royalty Payments, respectively, or any other amounts payable to Seller under either of the Day One License Agreement or the Denovo License Agreement.

(g) Except as contemplated by Section 2.1 hereof and [*], Seller (i) has not assigned, sold, conveyed, granted or otherwise transferred any of its rights or obligations, in whole or in part, under either the Day One License Agreement or the Denovo License Agreement, respectively and (ii) has not granted, incurred or suffered to exist any Liens (other than Permitted Liens) on either the Day One License Agreement or the Denovo License Agreement or any of its rights thereunder or on any of the Purchased Royalty Payments. Except as contemplated by Section 2.1 hereof and [*], no Person other than Seller and its successors and assigns and RPI is entitled to receive any of the royalties and other amounts payable by Day One under the Day One License Agreement or payable by Denovo under the Denovo License Agreement.

(h) Seller has not consented to any assignment, pledge, sale or other transfer (including licenses) by either Day One or Denovo, respectively, of any of Day One's or Denovo's rights or obligations under the Day One License Agreement, or the Denovo License Agreement, respectively, and, to the Knowledge of Seller there is not any such assignment, pledge, sale or other transfer (including licenses) by either of Day One or Denovo. Seller has not received any notice from either of Day One or Denovo, nor does Seller have any Knowledge, of either of Day One's or Denovo's intent to pledge, assign, sell, convey, grant, or otherwise transfer (including licenses) any of Day One's or Denovo's rights or obligations under the Day One License Agreement or the Denovo License Agreement, respectively.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(i) Neither Seller nor Day One has made any claim of indemnification under the Day One License Agreement. Neither Seller nor Denovo has made any claim of indemnification under the Denovo License Agreement. Neither Seller nor RPI has made any claim of indemnification under the Revenue Participation Agreement.

(j) Seller has not exercised its rights to conduct an audit under either the Day One License Agreement or the Denovo License Agreement.

(k) To the Knowledge of Seller, Day One has complied with its obligations to develop the Day One Licensed Products and to seek to obtain Regulatory Approval for the Day One Licensed Products pursuant to the Day One License Agreement. To the Knowledge of Seller, Denovo has complied with its obligations to develop the Denovo Licensed Products and to seek to obtain Regulatory Approval for the Denovo Licensed Products pursuant to the Denovo License Agreement. Seller has complied with all of its obligations under the Revenue Participation Agreement.

Section 3.13 UCC Matters.

(a) Seller's exact legal name is Viracta Therapeutics, Inc. Seller's principal place of business is, and since such date of organization has been, located in, Cardiff (San Diego), California, and its jurisdiction of organization is, and since such date of organization has been, the State of Delaware.

(b) The claims and rights of Purchaser created by the Transaction Documents in and to the Day One Royalty Payments are not and shall not be subordinated to any creditor of Seller or any other Person (other than as a result of Purchaser's own election).

(c) Neither Seller nor any of its Affiliates has exercised any right of Set-off, upon or with respect to the Purchased Royalty Payments or the Collateral or agreed to do or suffer to exist any of the foregoing.

Section 3.14 Margin Stock. Seller is not engaged in the business of extending credit for the purpose of buying or carrying margin stock, and no portion of the Purchase Price shall be used by Seller for a purpose that violates Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as of the date hereof as follows:

Section 4.1 Organization. Purchaser is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all powers and authority, and all licenses, permits, franchises, authorizations, consents and approvals of all Governmental Authorities, required to own its property and conduct its business as now conducted.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 4.2 **No Conflicts.** None of the execution and delivery by Purchaser of any of the Transaction Documents to which Purchaser is party, the performance by Purchaser of the obligations contemplated hereby or thereby or the consummation of the transactions contemplated hereby or thereby will contravene, conflict with, result in a breach, violation, cancellation or termination of, constitute a default (with or without notice or lapse of time, or both) under, require prepayment under, give any Person the right to exercise any remedy or obtain any additional rights under, or accelerate the maturity or performance of or payment under, in any respect, (i) any Applicable Law or any judgment, order, writ, decree, permit or license of any Governmental Authority to which Purchaser or any of its assets or properties may be subject or bound, (ii) any term or provision of any contract, agreement, indenture, lease, license, deed, commitment, obligation or instrument to which Purchaser is a party or by which Purchaser or any of its assets or properties is bound or committed or (iii) any term or provision of any of the organizational documents of Purchaser.

Section 4.3 **Authorization.** Purchaser has all corporate power and authority to execute, deliver and perform its obligations under, the Transaction Documents to which it is party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of each of the Transaction Documents to which Purchaser is a party and the performance by Purchaser of its obligations hereunder and thereunder have been duly authorized by Purchaser. Each of the Transaction Documents to which Purchaser is party has been duly executed and delivered by Purchaser. Each of the Transaction Documents to which Purchaser is or will be a party constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar Applicable Laws affecting creditors' rights generally and general equitable principles.

Section 4.4 **Governmental and Third-Party Authorizations.** The execution and delivery by Purchaser of the Transaction Documents to which Purchaser is party, the performance by Purchaser of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereunder and thereunder do not require any consent, approval, license, order, authorization or declaration from, notice to, action or registration by or filing with any Governmental Authority or any other Person, except for the filing of UCC financing statements, the Day One Direction Letter, the Denovo Direction Letter and any consent, approval, license, order, authorization or declaration previously obtained.

Section 4.5 **No Litigation.** There is no (a) action, suit, arbitration proceeding, claim, demand, citation, summons, subpoena, investigation or other proceeding (whether civil, criminal, administrative, regulatory, investigative or informal) pending or, to the knowledge of Purchaser, threatened by or against Purchaser, at law or in equity, or (b) inquiry or investigation (whether civil, criminal, administrative, regulatory, investigative or informal) by or before a Governmental Authority pending or, to the knowledge of Purchaser, threatened against, that, in each case, challenges or seeks to prevent, enjoin, alter, delay, make illegal or otherwise interfere with the consummation of any of the transactions contemplated by any of the Transaction Documents to which Purchaser is or will be party.

Section 4.6 **Solvency; No Adverse Change.** Purchaser has determined that, and by virtue of its entering into the transactions contemplated by the Transaction Documents and its authorization, execution and delivery of the Transaction Documents, Purchaser's incurrence of

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

any liability hereunder or thereunder or contemplated hereby or thereby is in its own best interests. Upon consummation of the transactions contemplated by the Transaction Documents and the application of the proceeds therefrom, (a) the present fair saleable value of Purchaser's property and assets will be greater than the sum of its debts, liabilities and other obligations, including contingent liabilities, (b) the present fair saleable value of Purchaser's property and assets will be greater than the amount that would be required to pay its probable liabilities on its existing debts, liabilities and other obligations, including contingent liabilities, as they become absolute and matured, (c) Purchaser will be able to realize upon its assets and pay its debts, liabilities and other obligations, including contingent obligations, as they mature, (d) Purchaser will not be rendered insolvent, will not have unreasonably small capital with which to engage in its business and will not be unable to pay its debts as they mature, (e) Purchaser has not incurred and does not have any present plans or intentions to incur debts, liabilities or other obligations beyond its ability to pay such debts, liabilities or other obligations as they become absolute and matured, (f) Purchaser will not have become subject to any Bankruptcy Event, and (g) Purchaser will not have been rendered insolvent within the meaning of Section 101(32) of Title 11 of the United States Code. No step has been taken or is intended by Purchaser or, to the Knowledge of Purchaser, any other Person to make Purchaser subject to a Bankruptcy Event. To the Knowledge of Purchaser, no event has occurred and no condition exists that could reasonably be expected to result in an Adverse Change.

Section 4.7 Compliance with Laws. Purchaser (a) has not violated, is not in violation of, or has not been given notice of any violation of, and (b) is not subject to, is not under investigation with respect to, or has not been threatened to be charged with or been given notice of any violation of, any Applicable Law, judgment, order, writ, decree, injunction, stipulation, consent order, permit or license granted, issued or entered by any Governmental Authority, in each case with respect to clauses (a) and (b) above, that could reasonably be expected, individually or in the aggregate, to result in an Adverse Change. Purchaser is in material compliance with the requirements of all Applicable Laws a breach of any of which could reasonably be expected to result in an Adverse Change.

ARTICLE V
POST-CLOSING COVENANTS

Upon the Closing, the Parties covenant and agree as follows:

Section 5.1 Notices; Information Sharing.

(a) **Notices**.

(i) As promptly as possible (but in no event more than [*] Business Days) after Seller receives notice of, or otherwise acquires Knowledge of any of the following: (1) any action, suit, claim, demand, dispute, investigation, arbitration or other proceeding (whether commenced or threatened) relating to the transactions contemplated by the Transaction Documents, the Purchased Royalty Payments, the Product IP Rights, the Products, or a License Agreement; (2) any violation, breach, default or termination (or any other fact, event or circumstance that, with the passage of time or additional notice, or both, could result in any such violation, breach, default or termination) by any Person under a License Agreement; (3) any change, event, occurrence, state of facts, development or condition that

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

would reasonably be expected to result in an Adverse Change; (4) any allegation or claim by a Third Party that the development, manufacturing, having manufactured, using, marketing, selling, offering for sale, importing or distributing of any Product infringes any intellectual property rights of such Third Party; (5) any Third Party developing, manufacturing, having manufactured, using, marketing, selling, offering for sale, importing or distributing of any Product in a manner that infringes any Product IP Rights; or (6) any other correspondence relating to the foregoing, then subject to Section 8.9(b), Seller shall provide to Purchaser (A) written notice thereof (including reasonable details to enable Purchaser to understand the applicable matters involved, the facts, events or circumstances that gave rise to such matters, the relief and/or remedies being sought, any proposed corrective action to be taken, and relevant timelines), together with a copy of such written notice received by Seller along with any related materials, and (B) such other information as necessary to enable Purchaser to participate meaningfully in discussions with Seller or Licensee or otherwise as reasonably requested by Purchaser regarding such matters.

(ii) Subject to Section 8.9(b), as promptly as possible (but in no event more than [*] Business Days) after receipt by Seller of any material notice, demand, certificate, correspondence, report or other communication relating to the Purchased Royalty Payments, the Products, the Product IP Rights, or a License Agreement, Seller shall provide to Purchaser written notice thereof (including reasonable details to enable Purchaser to understand the applicable matters involved, the facts, events or circumstances that gave rise to such matters, the relief and/or remedies being sought, any proposed correction action to be taken, and relevant timelines), together with a copy of such notice, demand, certificate, correspondence, report or other communication received by Seller.

(iii) As promptly as possible (but in no event more than [*] Business Days) after acquiring Knowledge of an infringement by a Third Party of any of the Product IP Rights, or of the existence of any facts, circumstances or events that, alone or together with other facts, circumstances or events, could reasonably be expected to result in an infringement by a Third Party of any Product IP Rights, Seller shall provide to Purchaser written notice describing in reasonable detail such infringement, including such information as to enable Purchaser to participate meaningfully in discussions with Seller or such Third Party or otherwise regarding such matters.

(iv) Each of Seller and Purchaser shall provide the other Party with written notice as promptly as possible (but in no event more than [*] Business Days) after acquiring Knowledge of any of the following: (1) the occurrence of a Bankruptcy Event in respect of itself; (2) any uncured material breach or default by it of or under any covenant, agreement or other provision of any Transaction Document; (3) any material breach in any respect of any representation or warranty made by it in any of the Transaction Documents to which it is a party or in any certificate delivered by it pursuant to this Agreement; or (4) any change, effect, event, occurrence, statement of facts, development or condition that could reasonably be expected to result in an Adverse Change.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(v) Seller shall provide Purchaser with written notice not less than [*] Business Days prior to any change in, or amendment or alteration of, Seller's: (1) legal name, (2) form or type of organization, or (3) jurisdiction of organization.

(vi) Without limiting any other rights of Purchaser set forth in this Article V, Purchaser shall have the right, from time to time (but not more than twice per calendar year), to hold a meeting or teleconference with the appropriate representatives of Seller to discuss the progress of the development of the Products.

(b) **Purchaser Books and Records**. Purchaser shall keep and maintain reasonably detailed records relating to the milestone, royalties and other payments (including the Purchased Royalty Payments) received or entitled to be received by Purchaser under a License Agreement (the "**Purchaser Books and Records**"), which books and records shall be maintained for, at minimum, as long as Purchaser is entitled to receive Purchased Royalty Payments hereunder and for a period of one (1) year thereafter, or such longer period as required by Applicable Law.

(c) **Seller Books and Records**. Seller shall keep and maintain at all times complete and accurate books and records relating to the milestone, royalties and other payments (including the Purchased Royalty Payments) received or entitled to be received by Seller under a License Agreement or payable directly by Seller to Purchaser (the "**Seller Books and Records**"), which books and records shall be maintained for, at minimum, as long as Purchaser is entitled to receive Purchased Royalty Payments hereunder and for a period of [*] years thereafter, or such longer period as required by Applicable Law. For so long as Purchaser is entitled to receive Purchased Royalty Payments hereunder and for a period of [*] years thereafter, upon prior written notice to Seller and subject to Section 8.9(b), Purchaser has the right to inspect and, [*], to audit the Seller Books and Records to verify the accuracy of the Purchased Royalty Payments made to Purchaser hereunder and the accuracy of any royalty report or other report or information provided by Seller to Purchaser pursuant to this Article V. Any such audit shall occur (i) not more than [*] in any calendar year, unless such audit reveals an underpayment of [*] or more in Purchased Royalty Payments [*], in which case, Purchaser shall be permitted an additional audit right in such calendar year pursuant to this Section 5.1(c), and (ii) upon not less than [*] days' prior written notice to Seller. If any such audit results in a determination that for any Royalty Quarter covered by the audit, there was an underpayment of Purchased Royalty Payments to Purchaser, the amount of such deficiency shall be promptly paid, or cause to be paid, by Seller to Purchaser, plus interest for the period from and including the date when such amount should have been paid by Licensee or Seller to Purchaser in accordance with this Agreement through but excluding the date of payment of such amount, at a rate, calculated on a 365-day or 366-day basis, as applicable, equal to the then current prime rate of interest quoted in the Money Rates section of the on-line edition of the Wall Street Journal (at http://www.markets.wsj.com) plus [*]. If any such audit reveals an underpayment of [*] or more in Purchased Royalty Payments, then in addition to promptly paying the amount of such underpayment plus interest as provided in the immediately prior sentence, Seller shall also pay to Purchaser an amount equal to the fees and expenses incurred by Purchaser in connection with such audit. As used herein, "**Royalty Quarter**" means the three-month period ending on the last day of each of March, June, September and December of each calendar year.

(d) Subject to Section 8.9(b), Seller shall promptly (but in no event more than [*] Business Days) make available to Purchaser such other information as Purchaser may, from

time to time, reasonably request with respect to (i) a License Agreement, (ii) the Products, (iii) the Product IP Rights, (iv) the Purchased Royalty Payments, and (v) Seller's compliance with the terms, provisions and conditions of this Agreement, the other Transaction Documents to which it is a party and the License Agreements; provided that if Seller is advised in writing by its counsel that the provision by Seller to Purchaser of such information would constitute a breach of its confidentiality obligations, then Seller shall provide promptly (but in no event more than [*] Business Days) a material summary of such information to Purchaser to the extent providing such summary would not itself constitute a breach of Seller's confidentiality obligations. If Seller is advised in writing by its counsel that providing Purchaser such material summary will constitute a breach of its confidentiality obligations, then Seller shall paraphrase or otherwise describe the substance for Purchaser of such information to the maximum extent possible, as Seller is advised in writing by its counsel, without causing a breach of its confidentiality obligations.

(e) **Audits**.

(i) During the term of this Agreement, Seller and Purchaser shall consult with each other regarding the timing, manner and conduct of any audit of any Licensee's records, as applicable, with respect to the Purchased Royalty Payments. If in the course of such consultation, Purchaser requests that Seller conduct an inspection or audit of a Licensee's records, as applicable (each a "**Purchaser-Requested Audit**"), with respect to the applicable Purchased Royalty Payments, Seller shall act on such request in a manner consistent with Purchaser's request in all material respects and consistent with the standard with which Seller would act in the administration of its own business (assuming, for these purposes, that the applicable License Agreement was the only business of Seller); provided, for clarity, that Purchaser shall have the right to require Seller and its Affiliates to enforce provisions contained in the applicable License Agreement.

(ii) To the extent Seller has the right to perform or cause to be performed inspections or audits under any License Agreement, as applicable, regarding payments payable and/or paid thereunder (each, a "**License Party Audit**"), Seller shall exercise such right, subject to Section 8.9(b), in consultation with Purchaser. If conducting a Purchaser-Requested Audit, Seller shall, to the extent permitted, select such public accounting firm to conduct the Purchaser-Requested Audit as Purchaser shall reasonably recommend, and reasonably acceptable to Seller, for such purpose. Subject to Section 8.9(b), as promptly as practicable after completion of any License Party Audit (whether or not requested by Purchaser), Seller shall deliver to Purchaser an audit report summarizing the results of such License Party Audit. If an inspection or audit constitutes a Purchaser-Requested Audit, all of the expenses of any such Purchaser-Requested Audit (including, without limitation, the fees and expenses of the independent public accounting firm) that would otherwise be borne by Seller pursuant to the applicable License Agreement shall instead be borne (as such expenses are incurred, upon the provision to Purchaser of written documentation evidencing such expenses) by Purchaser, provided that any reimbursement by a Licensee of the expenses of the Purchaser-Requested Audit shall belong to Purchaser. Any deficiency in payments of Purchased Royalty Payments made by a Licensee, as applicable, demonstrated in a License Party Audit shall be paid promptly, in accordance with the terms of such License Agreement, to Purchaser pursuant to the terms hereof.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 5.2 Public Announcement; Use of Names.

(a) Seller and Purchaser agree that, after the execution of this Agreement, no press release or public announcements concerning any of the transactions contemplated by, or the existence or terms of, the Transaction Documents shall be issued or made by either Party hereto without the prior consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed), except for such press release or announcement as may be required by Applicable Law or the rules and regulation of the SEC or any securities exchange or trading system, in which case the disclosing Party shall, to the extent practicable, allow the other Party reasonable time to review and comment on such release or announcement (or to seek a protective order against disclosure) in advance of its issuance. Notwithstanding anything herein to the contrary, the foregoing shall not apply to the issuance of a joint press release announcing this Agreement in a form previously approved by Seller and Purchaser or any other public announcement or electronic publication using substantially the same text as such press release.

(b) Except as required by law or regulation, neither Party shall use the name, trademark, service mark, trade name, or symbol or any adaptation thereof of the other Party or of any of its directors, officers, employees, inventors, agents and representatives, or Affiliates for advertising, marketing, endorsement, promotional or sales literature, publicity, public announcement or disclosure or in any document employed to obtain funds or financing without the specific prior written consent of an authorized representative of the other Party.

Section 5.3 Commercially Reasonable Efforts; Further Assurances.

(a) Subject to the terms and conditions of this Agreement, each Party hereto will use Commercially Reasonable Efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under Applicable Law to consummate the transactions contemplated by the Transaction Documents to which Seller or Purchaser, as applicable, is party, including to (i) effect the sale transfer and conveyance of the Purchased Royalty Payments to Purchaser pursuant to this Agreement, (ii) execute and deliver such other documents, certificates, instruments, agreements and other writings and to take such other actions as may be necessary or desirable, or reasonably requested by the other Party hereto, in order to consummate or implement expeditiously the transactions contemplated by any Transaction Document to which Seller or Purchaser, as applicable, is party, (iii) perfect, protect, evidence, vest and maintain in Purchaser good, valid and marketable title in and to the Purchased Royalty Payments free and clear of all Liens (other than Permitted Liens), (iv) create, evidence and perfect Purchaser's first priority security interest granted pursuant to Section 2.1(c), and (v) enable Purchaser or Seller to exercise or enforce any of Purchaser's or Seller's respective rights under the Transaction Documents.

(b) Seller and Purchaser shall cooperate and provide assistance as reasonably requested by the other Party hereto, at such other Party's expense (except as otherwise set forth herein), in connection with any litigation, arbitration, investigation or other proceeding (whether threatened, existing, initiated or contemplated prior to, on or after the date hereof) to which the other Party hereto, any of its Affiliates or Controlling Persons or any of their respective directors, officers, equity-holders, Controlling persons, managers, agents or employees is or may become a party or is or may become otherwise directly or indirectly affected or as to which any such Persons have a direct or indirect interest, in each case relating to any Transaction Document, the Purchased

Royalty Payments, the Collateral or the transactions described herein or therein, but in all cases excluding any litigation (i) brought by Seller (for itself or on behalf of any Seller Indemnified Party) against Purchaser or (ii) brought by Purchaser (for itself or on behalf of any Purchaser Indemnified Party) against Seller.

(c) Seller and Purchaser shall comply in all material respects with all Applicable Laws with respect to the Transaction Documents, the Purchased Royalty Payments, the License Agreements, and all ancillary agreements related thereto.

(d) Seller shall not enter into any contract, agreement or other legally binding arrangement (whether written or oral), or grant any right to any other Person, in each case that would (i) conflict with the Transaction Documents or the rights granted to Purchaser hereunder or thereunder, (ii) impair Seller's ability to perform its obligations under the Transaction Documents, (iii) serve or operate to limit, circumscribe or impair any of Purchaser's rights under the Transaction Documents (or Purchaser's ability to exercise any such rights), or (iv) result in an Adverse Change.

(e) Seller will not sell the rights to research, develop, commercialize or otherwise exploit any of the Terminated Day One Licensed Products or any of the Terminated Denovo Licensed Products without the prior written consent of with Purchaser. To the extent that Seller enters into a New License Agreement, it will ensure that such License Agreement includes provisions (i) requiring the applicable Licensee to make any milestone, royalty, or other License Agreement related payments (collectively, the "New License Agreement Payments") directly to Purchaser which payments will be made separately from, and in addition to, any payments required to be made to Seller thereunder, and (ii) that convey to Purchaser shared rights in any rights of Seller under such New License Agreement (1) to request inspection of or to audit or otherwise review the books, records and accounts of such applicable Licensee, and to receive any related audit reports, (2) to receive reports, worksheets, notices and other associated information, (3) to enforce any rights with respect to New License Agreement Payments (including with respect to any development, commercialization or similar obligations of such applicable Licensee), including without limitation the right to sue third parties for actual or threatened infringement of any rights relating to any Product IP Rights, (4) to make any indemnification claim against such Licensee and (5) to sell, assign, pledge or otherwise transfer the foregoing, in whole or in part, and the payments, proceeds and income of, and the rights to enforce, each of the foregoing.

Section 5.4 Payments; Consent & Direction Letter Irrevocable.

(a) Seller shall make all payments required to be made by it to Purchaser pursuant to this Agreement by wire transfer of immediately available funds, without Setoff or deduction or withholding for or on account of any Taxes, to Purchaser Account. Purchaser shall make all payments required to be made by it to Seller pursuant to this Agreement by wire transfer of immediately available funds, without Setoff or deduction or withholding for or on account of any Taxes, to Seller Account.

(b) Promptly following the formation of SPV Subsidiary, Seller shall issue the Day One Direction Letter to Day One and provide a copy thereof to Purchaser.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(c) Promptly following the formation of SPV Subsidiary, Seller shall issue the Denovo Direction Letter to Denovo and provide a copy thereof to Purchaser.

(d) Seller shall not attempt to revoke, amend, modify, supplement, restate, waive, cancel or terminate the executed Day One Direction Letter or the executed Denovo Direction Letter without the prior written consent of Purchaser.

Section 5.5 License Agreements.

(a) **Performance of License Agreement**. Seller (i) shall perform and comply in all respects with its duties and obligations under each License Agreement, (ii) shall not, without the prior written consent of Purchaser, assign (including by merger, operation of law or otherwise), amend, modify, supplement, restate, waive, cancel or terminate (or consent to any of the foregoing) a License Agreement, in whole or in part, (iii) shall not grant, incur or suffer to exist any Liens (other than Permitted Liens) on the Purchased Royalty Payments, the Collateral, or a License Agreement, (iv) shall not forgive, release or compromise any milestones, royalties or other amounts owed to or becoming owing to it under a License Agreement, or grant any rights to a Licensee that would have the effect of doing any of the foregoing, (v) shall not consent to a Licensee's assignment (including by merger, operation of law or otherwise) of, in whole or in part, any rights under a License Agreement without Purchaser's prior written consent, (vi) except pursuant to Section 5.6, shall not enter into any new agreement or legally binding arrangement in respect of, in connection with, or related to any of (A) the Day One Royalty Payments, the Day One Licensed Products, or the Day One License Agreement, or (B) the Denovo Royalty Payments, the Denovo Licensed Products or the Denovo License Agreement (vii) shall not waive any obligation of, or grant any consent to, the applicable Licensee under or in respect of, in connection with, or relating to a License Agreement, (viii) shall not permit a Licensee to take any Set-off against the Purchased Royalty Payments, and (ix) shall not agree to do anything in contravention of the foregoing.

(b) **Non-Impairment of Purchaser's Rights**. Seller shall not, without the prior written consent of Purchaser and subject in all respects to Section 5.5(a): (i) forgive, release or reduce any amount, or delay or postpone any amount, owed to Seller or Purchaser relating to the Purchased Royalty Payments; (ii) waive, amend, cancel or terminate, exercise or fail to exercise, any material rights constituting or relating to the Purchased Royalty Payments; or (iii) withhold any consent, grant any consent, exercise or waive any right or option, send any notice, or take or fail to take any action or refrain from sending any notice in respect of, affecting or relating to the Purchased Royalty Payments, a Product, or a License Agreement. For clarity, provided Seller remains in compliance with the terms and conditions of each License Agreement, Seller may, in good faith, refrain from taking any action under a License Agreement during such period as it is seeking the consent of Purchaser.

(c) **Breach of License Agreement by Seller**. If Seller acquires Knowledge that Seller is (or, with the giving of notice, the passage of time, or both, would be) in breach of or default under a License Agreement, Seller shall promptly (and in any case within [*] Business Days) provide notice to Purchaser thereof in accordance with Section 5.1(a)(i), and after consultation with Purchaser shall use Commercially Reasonable Efforts (at Seller's expense) to promptly cure such breach or default; provided, however, that if Seller fails to promptly use

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Commercially Reasonable Efforts to cure any such breach or default, Purchaser shall, to the extent permitted by a License Agreement, be entitled to take any and all actions it deems reasonably necessary to cure such breach or default, and Seller agrees to cooperate with Purchaser for such purpose.

(d) **Breach of License Agreement by Licensee**. If Seller acquires Knowledge that a Licensee is (or with the giving of notice or the passage of time, or both, would be) in breach of or default under a License Agreement, Seller shall promptly (and in any case within [*] Business Days) provide notice to Purchaser thereof in accordance with Section 5.1(a)(i) hereof and following prompt consultation with Purchaser take such Commercially Reasonable Efforts, [*], to remedy such situation (including commencing legal actions against such Licensee using legal counsel reasonably satisfactory to Purchaser) and to exercise any and all rights and remedies available to Seller, whether under a License Agreement or by operation of law or equity. Notwithstanding the foregoing and anything else in this Agreement to the contrary, if a Licensee breaches its obligation to make any of the Purchased Royalty Payments, Purchaser shall have the sole right and standing to exercise any and all rights and remedies available to Purchaser and Seller shall cooperate with any such exercise of rights and remedies [*].

(e) **Infringement of the Product IP Rights**.

(i) If Seller acquires Knowledge of an infringement by a Third Party of any of the Product IP Rights, or of the existence of any facts, circumstances or events that, alone or together with other facts, circumstances or events, could reasonably be expected to result in an infringement by a Third Party of the Product IP Rights, Seller shall provide written notice thereof to Purchaser in accordance with Section 5.1(a)(iii) and after prompt consultation with Purchaser, [*] as provided below in Section 5.5(e)(iv), take such Commercially Reasonable Efforts (including commencing legal actions using legal counsel reasonably satisfactory to Purchaser) to abate such infringement and to exercise any or all rights and remedies available to it, whether under a License Agreement or by operation of law or equity.

(ii) If a Licensee (either directly, or indirectly through a Sublicensee) exercises its right to police the applicable Product IP Rights against infringement by any Third Party, then Seller shall exercise its right to voluntarily join any applicable suit, or not exercise such right, and take such other reasonable actions related thereto, as Purchaser reasonably requests of Seller, [*] as provided below in Section 5.5(e)(iv). The portion of all settlement, damages, or other amounts recovered by such Licensee and paid to Seller (or Purchaser, as applicable), in excess of litigation costs (such portion, the "**Recoveries**") shall be allocated as provided below in Section 5.5(e)(iv).

(iii) If, however, (1) a Licensee fails to timely exercise its option to police the applicable Product IP Rights against infringement, (2) a Licensee fails to take action to abate such infringement within the applicable time period specified in the applicable License Agreement, or (3) a Licensee does not have the right to take action to abate such infringement, then Seller shall, after prompt consultation with Purchaser, [*] as provided below in Section 5.5(e)(iv), promptly take (or refrain from taking) actions to abate such infringement (including commencing legal action against the infringing Third Party using

legal counsel reasonably satisfactory to Purchaser) and exercise rights and remedies available to it to abate such infringement, whether under the applicable License Agreement or by operation of law or equity, as Purchaser, acting reasonably, requests of Seller.

(iv) [*] costs and expenses incurred in any action taken under this Section 5.5(e) against any infringer and [*] any third party costs and expenses actually incurred [*] in its performance of any action taken against any infringer [*] under this Section 5.5(e), provided, that [*]. The Parties agree that Purchaser shall be entitled to receipt and payment of [*] of any and all Recoveries. Seller shall pay Purchaser the portion of any Recoveries to which Purchaser is entitled promptly (but in no event more than [*] Business Days) after Seller receives such Recoveries.

(f) **Preservation and Defense of Patents**. Subject to the License Agreements, as between Purchaser and Seller, Seller shall be responsible to ensure, and Seller shall, whether directly or through its Licensee (as applicable): (i) take such actions and prepare, execute, deliver and file any and all agreements, documents and instruments, that are reasonably necessary to diligently preserve and maintain the Product IP Rights, including payment of maintenance fees or annuities, (ii) prosecute patents and any corrections, substitutions, reissues, reviews and reexaminations of the Product IP Rights and any other forms of patent term restoration in any jurisdiction and obtain, or cause the obtainment of, patent listing in the FDA Electronic Orange Book, (iii) diligently defend the Product IP Rights against any interference or claim of invalidity or unenforceability, in any jurisdiction (including by defending any counterclaim of invalidity or action of a Third Party for declaratory judgment of non-infringement or non-interference), and (iv) not disclaim or abandon, or fail to take any action necessary or desirable to prevent the disclaimer or abandonment of, any Product IP Rights without prior consultation with the Purchaser. If, after consultation with Purchaser, Seller determines to disclaim, abandon or not to take preventative action related to any of the Product IP Rights, Purchaser may prosecute and maintain such Product IP Rights or take such preventative actions at its sole expense and Seller shall provide commercially reasonable assistance to Purchaser with respect thereto. Further to the foregoing, Seller (1) shall consult with Purchaser regarding any action or inaction contemplated by this Section 5.5(f), and then give Purchaser an opportunity to review the text of, any filing related thereto prior to its submission, (2) shall consult with Purchaser with respect thereto, including to consider in good faith any comments from Purchaser in respect thereof, and (3) shall promptly after making such filing or other submission provide Purchaser with the final version thereof. [*] incurred in connection with the foregoing actions [*].

(g) Subject to the applicable License Agreement, Purchaser shall have the right to participate in, with counsel appointed by it, any meeting, discussion, action, suit or other proceeding involving the infringement, legality, validity or enforceability of the Product IP Rights proposed to be undertaken by Seller in the exercise of its rights under the applicable License Agreement with respect to the Product IP Rights; provided that the fees and expenses of Purchaser's outside counsel in connection therewith shall be [*] if such infringement, legality, validity or enforceability [*]; otherwise, such fees and expenses shall [*].

(h) Seller (i) shall make available its relevant records and personnel to Purchaser in connection with any litigation commenced by Seller or Purchaser against a Licensee to enforce any of Seller's or Purchaser's rights under this Agreement or a License Agreement, and

(ii) shall use Commercially Reasonable Efforts to provide reasonable assistance and authority, [*], to file and bring the litigation, including, [*], being joined as a party plaintiff.

(i) **No Further Grant of Rights**. From and after the Effective Date, neither Seller nor its Affiliates shall grant any license in or to the Product IP Rights in any geographic territory, for the Products subject to this Agreement, unless (1) such license becomes a "License Agreement" hereunder, (2) Seller has exercised reasonable good faith efforts to ensure that the royalty, milestone and other payments generated under such license are no less favorable than those provided hereunder corresponding to (A) the amount of Day One Royalty Payments for any Terminated Day One Licensed Products, and (B) the amount of Denovo Royalty Payments for any Terminated Denovo Licensed Product, and (3) the applicable portion of milestone, royalty and other payments thereunder become "Purchased Royalty Payments."

Section 5.6 Termination of a License Agreement.

(a) Without limiting the provisions of Section 5.5 or any other rights or remedies Purchaser may have under this Agreement, if (i) Seller or a Licensee terminates, or provides written notice of termination of, a License Agreement (in whole or in part) (it being understood that Seller shall not terminate any License Agreement without the prior written consent of Purchaser), or (ii) such License Agreement is otherwise terminated (in whole or in part) other than solely by virtue of the expiration of any of the applicable Product Patents (the "**Terminated License Agreement**"), and Seller, of its own volition and without any obligation hereunder to do so, out-licenses a Terminated Day One Licensed Product or a Terminated Denovo Licensed Product that were subject to the Terminated License Agreement, then Seller shall use (1) reasonable good faith efforts to negotiate and obtain royalty, milestone and other payment terms and conditions consistent with the requirements set forth in Section 5.5(i) above, and (2) Commercially Reasonable Efforts to negotiate such other terms, conditions and limitations that are no less favorable to Seller and (as a result of Purchaser's purchase hereunder) Purchaser than those contained in the Terminated License Agreement, including with respect to obligations and costs imposed on Seller, disclaimers of Seller's liability, intellectual property ownership and control, indemnification of Seller (each such replacement licensing arrangement, a "**New Arrangement**").

(b) Should Seller identify any New Arrangement(s), Seller shall present the material terms of the New Arrangement(s) to Purchaser and, upon the express written consent of Purchaser (such consent not to be unreasonably withheld), Seller shall execute and deliver a new license agreement(s) effecting such New Arrangement(s) (each, a "**New License Agreement**"). Thereafter, each New License Agreement shall be included for all purposes in the definition of "License Agreement" hereunder, any payments that are equivalent to the Purchased Royalty Payments due under such New License Agreement shall be included as "Purchased Royalty Payments" hereunder, and Seller's rights and obligations under the Transaction Documents in respect of the License Agreements shall apply in respect of its rights and obligations under the New License Agreement *mutatis mutandis*, in each case without any further action by the Parties hereto to amend this Agreement or the Bill of Sale.

Section 5.7 Tax Matters.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(a) Notwithstanding anything to the contrary in the Transaction Documents or the accounting treatment thereof, Seller and Purchaser shall treat the transactions contemplated by the Transaction Documents as a sale of the Purchased Royalty Payments for United States federal, state, local and non-U.S. Tax purposes. Accordingly, any and all Purchased Royalty Payments made pursuant to a License Agreement after the Closing Date shall be treated as made to Purchaser or Seller, as applicable, for United States federal, state, local and non-U.S. Tax purposes. The Parties shall cooperate to effect the foregoing treatment for United States federal, state, local and non-U.S. Tax purposes in the event that, notwithstanding the Day One Direction Letter, the Denovo Direction Letter (as applicable) or other Licensee instructions, a Licensee, a Sublicensee or any other Person makes any future remittance of Purchased Royalty Payments to Seller or Purchaser which Seller or Purchaser must remit to the other Party pursuant to this Agreement. Seller shall report the Purchased Royalty Payments hereunder on Form 1099-MISC or other applicable form as royalties for United States federal, state and local income Tax purposes.

(b) The Parties hereto agree not to take any position that is inconsistent with the provisions of this Section 5.7 on any Tax return or in any audit or other administrative or judicial proceeding unless (i) the other Party hereto has consented to such actions or (ii) the Party hereto that contemplates taking such an inconsistent position has been advised by nationally recognized tax counsel in writing that there is no "reasonable basis" (within the meaning of Treasury Regulation Section 1.6662-3(b)(3)) for the position specified in this Section 5.8. If there is an inquiry by any Governmental Authority of Seller or Purchaser related to this Section 5.8, the parties hereto shall cooperate with each other in responding to such inquiry in a reasonable manner consistent with this Section 5.8.

Section 5.8 Existence. Seller shall (a) preserve and maintain its existence, (b) preserve and maintain its rights, franchises and privileges, except to the extent that failure to do so could not reasonably be expected to result in an Adverse Change, (c) qualify and remain qualified in good standing in each jurisdiction in which it is organized or qualified to do business except to the extent that failure to do so could not reasonably be expected to result in an Adverse Change, and (d) not knowingly incur debts, liabilities or other obligations beyond its ability to pay such debts, liabilities or other obligations as they become absolute or matured.

Section 5.9 Protective Rights Agreement. For protective purposes only and to secure Seller's performance of its obligations hereunder, to the extent the true and absolute sale hereunder, as evidenced by the Bill of Sale, becomes subject to a Recharacterization despite the Parties' express intentions otherwise, Seller shall execute and deliver the Protective Rights Agreement at the Closing as contemplated by Section 2.5(e).

Section 5.10 Special Purpose Vehicle. Concurrently with the execution of this Agreement, Seller shall cause the formation of SPV Subsidiary and contribute and transfer the Purchased Royalty Payments to SPV Subsidiary. Promptly after the Closing, but in no event later than [*] days following the Closing Date, Seller shall cause SPV Subsidiary to join this Agreement as a seller hereunder and execute any applicable documents and amendments to implement such joinder, in each case in form and substance reasonably acceptable to Purchaser, including the express agreement of SPV Subsidiary not to do, and the agreement of Seller not to cause to be done, any of the following:

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(a) fail to hold itself out to the public and all other Persons as a legal entity separate from the owners of its capital stock and from any other Person;

(b) commingle its assets with assets of any other Person;

(c) fail to conduct its business only in its own name, nor fail to comply with all organizational formalities necessary to maintain its separate existence;

(d) amend, modify or waive provisions of or otherwise change its SPV LLC Agreement without the prior written consent of Purchaser, including any failure to have an independent manager at all times;

(e) fail to maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person nor have its assets listed on any financial statement of any other Person; provided, however, that SPV Subsidiary's assets may be included in a consolidated financial statement of Seller or one of its Affiliates in conformity with applicable provisions of GAAP (provided that such assets shall also be listed on SPV Subsidiary's own separate balance sheet);

(f) fail to pay its own liabilities and expenses only out of its own funds, except in respect of short term advances to be repaid;

(g) enter into any transaction with an Affiliate except transactions that are at prices and on terms and conditions that could be obtained on an arm's-length basis from unrelated Third Parties;

(h) fail to correct any known misunderstanding regarding its separate identity and not identify itself as a department or division of any other Person;

(i) fail to maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, that the foregoing shall not require the holders of its capital stock to make additional capital contributions to SPV Subsidiary;

(j) fail to cause the representatives of Seller to act at all times with respect to Seller consistently and in furtherance of the foregoing and in the best interests of SPV Subsidiary;

(k) make any payment or distribution of assets with respect to any obligation of any other person other than as required under trade or commercial agreements entered into in the ordinary course of business; or

(l) other than as permitted under the Transaction Documents, maintain or incur any indebtedness or other obligation, secured or unsecured, direct or indirect, absolute or contingent (including guaranteeing any obligation);

(m) engage in any business activity other than as contemplated hereunder or under the other Transaction Documents and any activities ancillary or related thereto.

Any joinder or similarly styled agreement referenced in this Section 5.10 shall be in form and substance reasonably acceptable to Purchaser, and shall provide for, among other things, that the SPV Subsidiary shall acquire, via contribution from the Seller, all Purchased Royalty Payments then owned by Seller and to be sold to Purchaser hereunder. The parties agree to execute and deliver the applicable SPV documentation in Exhibit G concurrently with the joinder and contribution transaction with the SPV Subsidiary.

ARTICLE VI
THE CLOSING

Section 6.1 Closing. The closing of the transactions contemplated under this Agreement (the "**Closing**") shall take place remotely simultaneously with the execution and delivery of this Agreement via electronic delivery of the executed Transaction Documents and other deliverables. The date on which the Closing occurs is referred to herein as the "**Closing Date**".

ARTICLE VII
INDEMNIFICATION; LIMITS OF LIABILITY

Section 7.1 Indemnification by Seller. Seller agrees to indemnify and hold each of Purchaser and its Affiliates and any and all of their respective partners, directors, managers, members, officers, employees, agents and Controlling persons (each, a "**Purchaser Indemnified Party**") harmless from and against, and will pay to each Purchaser Indemnified Party the amount of, any and all Losses (including reasonable attorneys' fees) awarded against or incurred or suffered by such Purchaser Indemnified Party, arising out of, or involving any Third Party claim, demand, action or proceeding to the extent arising out of (a) any breach of any representation, warranty or certification made by Seller in, or pursuant to, any of the Transaction Documents (including certificates or other written documentation delivered thereunder), (b) any breach or default by Seller in respect of any covenant or agreement made by Seller in any Transaction Document or under the License Agreements, or (c) any Excluded Liabilities and Obligations; provided, however, that the foregoing shall exclude any indemnification to any Purchaser Indemnified Party (i) that results from the gross negligence or willful misconduct of a Purchaser Indemnified Party or (ii) to the extent resulting from acts or omissions of Seller or any of its Affiliates based upon written instructions from any Purchaser Indemnified Party (unless Seller is otherwise liable for such Losses pursuant to the terms of this Agreement). Any amounts due to any Purchaser Indemnified Party hereunder shall be payable by Seller to such Purchaser Indemnified Party upon demand. Any amounts due to any Purchaser Indemnified Party hereunder shall be payable by Seller to such Purchaser Indemnified Party upon demand. Other than with respect to [*], in no event shall the maximum aggregate amount of Losses that may be recovered by the Purchaser Indemnified Parties under this Agreement pursuant to [*].

Section 7.2 Indemnification by Purchaser. The Purchaser agrees to indemnify and hold each of Seller and its Affiliates and any and all of their respective partners, directors, managers, members, officers, employees, agents and Controlling Persons (each, a "**Seller Indemnified Party**") harmless from and against, and will pay to each Seller Indemnified Party the amount of, any and all Losses (including reasonable attorneys' fees) awarded against or incurred or suffered by such Seller Indemnified Party, arising out of, or involving any Third Party claim, demand, action or proceeding to the extent arising out of (a) any breach of any

representation, warranty or certification made by Purchaser in, or pursuant to, any of the Transaction Documents (including certificates or other written documentation delivered thereunder), or (b) any breach or default by Purchaser in respect of any covenant or agreement made by Purchaser in any Transaction Document; provided, however, that the foregoing shall exclude any indemnification to any Seller Indemnified Party (i) that results from the gross negligence or willful misconduct of such Seller Indemnified Party, or (ii) to the extent resulting from acts or omissions of Purchaser or any of its Affiliates based upon the written instructions from any Seller Indemnified Party (unless Purchaser is otherwise liable for such Losses pursuant to the terms of this Agreement). Any amounts due to any Seller Indemnified Party hereunder shall be payable by Purchaser to such Seller Indemnified Party upon demand.

Section 7.3 Procedures. If any claim, demand, action or proceeding (including any investigation by any Governmental Authority) shall be brought or alleged against an indemnified party in respect of which indemnity is to be sought against an indemnifying party pursuant to Section 7.1 or Section 7.2, the indemnified party shall, promptly after receipt of notice of the commencement of any such claim, demand, action or proceeding, notify the indemnifying party in writing of the commencement of such claim, demand, action or proceeding, enclosing a copy of all papers served, if any; provided, that the failure to so notify such indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under Section 7.1 or Section 7.2 unless, and only to the extent that, the indemnifying party is actually prejudiced by such failure. In the event that any such action is brought against an indemnified party and it notifies the indemnifying party of the commencement thereof in accordance with this Section 7.3, the indemnifying party will be entitled, at the indemnifying party's sole cost and expense, to participate therein and, to the extent that it may wish, to join in or assume (at the indemnified party's sole discretion) the defense thereof, with counsel selected by such indemnifying party. If assumed, counsel reasonably satisfactory to the indemnified party shall be selected, and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Article VII for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof. In any such proceeding, an indemnified party shall have the right to retain its own counsel, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party unless (a) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (b) the indemnifying party has assumed the defense of such proceeding and has failed within a reasonable time to retain counsel reasonably satisfactory to such indemnified party or (c) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interests between them based on the advice of counsel to the indemnified party. It is agreed that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate law firm at the same time (in addition to local counsel where necessary) for all such indemnified parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its prior written consent, but, if settled with such consent or if there is a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any Loss by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or discharge of any claim or pending or threatened proceeding in respect of which any indemnified

party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement, compromise or discharge, as the case may be, (i) includes an unconditional written release of such indemnified party, in form and substance reasonably satisfactory to the indemnified party, from all liability on claims that are the subject matter of such claim or proceeding, (ii) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of any indemnified party and (iii) does not impose any continuing material obligation or restrictions on any indemnified party.

Section 7.4 No Consequential Damages. EXCEPT IN THE CASE OF FRAUD, INTENTIONAL MISREPRESENTATION, INTENTIONAL WRONGFUL ACTS, INTENTIONAL BREACH, BAD FAITH OR WILLFUL MISCONDUCT, IN NO EVENT SHALL A PARTY BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, INCLUDING WITHOUT LIMITATION LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES. NOTHING IN THIS SECTION 7.4 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY UNDER THIS ARTICLE VII.

Section 7.5 Limitation of Liability. OTHER THAN (1) WITH RESPECT TO EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR THIRD PARTY CLAIMS PURSUANT TO SECTION 7.1 AND SECTION 7.2, (2) WITH RESPECT TO [*] AND (3) WITH RESPECT TO ANY FRAUD, WILLFUL MISCONDUCT, INTENTIONAL MISREPRESENTATION OR INTENTIONAL BREACH, IN NO EVENT SHALL THE MAXIMUM AGGREGATE LIABILITY (EXCLUDING PAYMENT OF THE PURCHASE PRICE BY PURCHASER) OF EITHER PARTY UNDER THIS AGREEMENT [*].

ARTICLE VIII
MISCELLANEOUS

Section 8.1 Termination. This Agreement shall terminate [*] following the full satisfaction of any amounts due under the License Agreements and receipt by Purchaser of all payments of the Purchased Royalty Payments to which it is entitled hereunder. In the event of the termination of this Agreement pursuant to this Section 8.1, this Agreement shall become void and of no further force and effect, except for those rights and obligations that have accrued prior to the date of such termination or relate to any period prior thereto, including the payment in accordance with the terms hereof of the Purchased Royalty Payments or other monetary payment on account of the Purchased Royalty Payments, or remain outstanding pursuant to the terms of this Agreement. Notwithstanding the foregoing, (a) the rights and obligations of the parties arising under [*] shall survive such termination until [*] after the termination of this Agreement; (b) Article I, Article VII, and Article VIII shall survive such termination; and (c) other than with respect to the surviving provisions enumerated in clause (a) and (b) above, there shall be no liability on the part of any Party hereto, any of its Affiliates or Controlling Persons or any of their respective officers, directors, equity-holders, debtholders, members, partners, Controlling Persons, managers, agents or employees, other than as provided for in this Section 8.1. Nothing contained in this Section 8.1 shall relieve any Party hereto from liability for any breach of this Agreement that occurs prior to such termination, which liability shall survive such termination.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 8.2 Survival. All representations, warranties and covenants made herein and in any other Transaction Document or any certificate or other written documentation delivered pursuant thereto shall survive the Closing and continue in full force and effect until the termination of this Agreement pursuant to Section 8.1 hereof.

Section 8.3 Specific Performance; Equitable Relief. Each of the Parties acknowledges that the other Party hereto will have no adequate remedy at law if it fails to perform any of its obligations under any of the Transaction Documents. In such event, each of the Parties hereto agrees that the other Party hereto shall have the right, in addition to any other rights it may have (whether at law or in equity), to specific performance of this Agreement and to pursue any other equitable remedies including injunction. Each of the Parties hereto may pursue such specific performance or other equitable remedies without going through any of the procedures set forth in Article VII.

Section 8.4 Notices. All notices, consents, waivers and other communications hereunder shall be in writing and shall be effective (a) upon receipt when sent through registered, certified or first-class mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (b) upon receipt when sent by an overnight courier, (c) on the date personally delivered to an authorized officer of the Party to which sent or (d) on the date transmitted by facsimile or other electronic transmission with a confirmation of receipt, in each case, confirmed in writing as above with a copy emailed and addressed to the recipient as follows:

if to Seller, to:

Viracta Therapeutics, Inc.
Attn: Legal
2533 S. Coast Hwy 101, Suite 210
Cardiff, CA 92007
Fax: (858) 771-4188
Email: legal@viracta.com

with a copy to (which shall not constitute notice):

Wilson Sonsini Goodrich & Rosati, P.C.
Attn: Martin J. Waters
12235 El Camino Real
San Diego, CA 92130

if to Purchaser, to:

XOMA (US) LLC
2200 Powell Street
Suite 310
Emeryville, CA 94608
Attention: Legal Department
Telephone: (510) 204-7200

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Facsimile: (510) 644-2011
Email: bob.maddox@xoma.com

with a copy to (which shall not constitute notice):

Paul Hastings LLP
4747 Executive Drive
Twelfth Floor
San Diego, CA 92121
Attention: Deyan Spiridonov
Telephone: (858) 458-3000
Email: spiri@paulhastings.com

Each Party may, by notice given in accordance herewith to the other Party hereto, designate any further or different address to which subsequent notices, consents, waivers and other communications shall be sent. Notwithstanding the foregoing, Seller and Purchaser may deliver reports and notices required under Section 5.1 via email provided that the parties shall have agreed in writing upon mutually acceptable procedures for such delivery.

Section 8.5 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Seller shall not be entitled to assign any of Seller's obligations and rights under this Agreement without the prior written consent of Purchaser, which shall not be unreasonably withheld, provided that any such assignee agrees in writing to assume all obligations hereunder. Purchaser may assign any of its rights to receive the Purchased Royalty Payments hereunder, in whole or in part, to any Third Party provided that: for a period of [*] following the Effective Date, Purchaser will not sell, assign or otherwise transfer the Purchased Royalty Payments or its rights thereto without Seller's consent, in Seller's sole discretion. Purchaser shall give notice of any such assignment to Seller promptly after the occurrence thereof. Notwithstanding the foregoing, either Party may, without the written consent of the other, assign this Agreement and its rights and delegate its obligations hereunder to an entity that acquires all or substantially all of the business or assets of the assigning party to which this Agreement pertains in connection with the transfer or sale of all or substantially all of its business, or in the event of its merger, consolidation, change in Control or similar transaction, in which case any permitted assignee shall assume all obligations of its assignor under this Agreement. Any purported assignment in violation of this Section 8.5 shall be null and void.

Section 8.6 Nature of Relationship. The relationship between Seller and Purchaser is solely that of seller and purchaser, and neither Seller nor Purchaser has any fiduciary or other special relationship with the other Party hereto or any of its Affiliates. Nothing contained herein or in any other Transaction Document shall be deemed to constitute Seller and Purchaser as a partnership, an association, a joint venture or any other kind of entity or legal form for any purposes, including any Tax purposes. The Parties agree that they shall not take any inconsistent position with respect to such treatment in any filing with any Governmental Authority.

Section 8.7 Entire Agreement. This Agreement together with the Exhibits hereto (which are incorporated herein by reference), the CDA, and the other Transaction Documents

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements (except for the CDA), understandings and negotiations, both written and oral, between the parties hereto with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein (or in the Exhibits hereto or the other Transaction Documents) has been made or relied upon by either Party hereto. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the Parties hereto and the other Persons referenced in Article VII any rights or remedies hereunder.

Section 8.8 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL SUBSTANTIVE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO THE RULES THEREOF RELATING TO CONFLICTS OF LAW, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) Each of the Parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of a court with applicable jurisdiction located in California, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such court located in California. Each of the Parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Applicable Law.

(c) Each of the Parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in Section 8.8. Each of the Parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each of the Parties hereto irrevocably consents to service of process in the manner provided for notices in Section 8.4. Nothing in this Agreement will affect the right of any Party hereto to serve process in any other manner permitted by Applicable Law.

Section 8.9 Confidentiality.

(a) All Confidential Information exchanged by the Parties hereto, including Third Party Confidential Information, for purposes of fulfilling this Agreement, shall remain in the ownership of the originating Party, shall be considered and be maintained as Confidential Information as specified in the Mutual Confidentiality Agreement ("CDA") dated [*], incorporated herein in its entirety by reference. The Parties agree that the term of the CDA shall be extended to run concurrently with the term of this Agreement and for a period of [*] years thereafter, and

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

expressly be amended to further include the obligation to use Confidential Information only for the purpose of fulfilling obligations hereunder, and shall not otherwise be used for the benefit of the Party receiving Confidential Information or for the benefit of a Third Party without prior written approval from the Party disclosing the Confidential Information.

(b) If Seller is advised in writing by its counsel that the provision of any notice, books, records, discussion, certificate, offer, proposal, correspondence, report or other written communication to Purchaser pursuant to this Agreement would constitute a breach by Seller of its confidentiality obligations, then Seller shall instead provide Purchaser promptly (but in no event more than [*] Business Days) (i) a written summary of all information contained in such notice, books, records, discussion, certificate, offer, proposal, correspondence, report or other written communication; provided that if Seller is advised in writing by its counsel that providing Purchaser with any portion of the summary set forth in clause (i) would constitute such a breach, then Seller shall instead (ii) paraphrase or otherwise describe the substance of such portion of such notice, books, records, discussion, certificate, offer, proposal, correspondence, report or other written communication to the maximum extent possible, as Seller is advised in writing by its counsel, without causing such a breach in the reasonable belief of Seller.

Section 8.10 Severability. If one or more provisions of this Agreement are held to be invalid, illegal or unenforceable by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, which shall remain in full force and effect, and the parties hereto shall replace such invalid, illegal or unenforceable provision with a new provision permitted by Applicable Law and having an economic effect as close as possible to the invalid, illegal or unenforceable provision. Any provision of this Agreement held invalid, illegal or unenforceable only in part or degree by a court of competent jurisdiction shall remain in full force and effect to the extent not held invalid, illegal or unenforceable.

Section 8.11 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each Party hereto shall have received a counterpart hereof signed by the other Party hereto. Any counterpart may be executed by facsimile or other electronic transmission, and such facsimile or other electronic transmission shall be deemed an original.

Section 8.12 Amendments; No Waivers. Neither this Agreement nor any term or provision hereof may be amended, supplemented, restated, waived, changed or modified except with the written consent of the parties hereto. No failure or delay by either Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No notice to or demand on either Party hereto in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval hereunder shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

Section 8.13 Cumulative Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by Applicable Law.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 8.14 Table of Contents and Headings. The Table of Contents and headings of the Articles and Sections of this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

Section 8.15 No Presumption Against Drafting Party. Each of the Parties hereto acknowledges that each Party to this Agreement has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement or any other Transaction Document against the drafting party has no application and is expressly waived.

[SIGNATURE PAGE FOLLOWS]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first written above.

VIRACTA THERAPEUTICS, INC.

By: /s/ Ivor Royston
Name: Ivor Royston, M.D.
Title: President and CEO

XOMA (US) LLC

By: /s/ Jim Neal
Name: Jim Neal
Title: CEO

[Signature Page to Royalty Purchase Agreement]

Exhibit 31.1

Certification

I, James R. Neal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XOMA Corporation;

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 officers 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))) for the registrant and we 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 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

   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 6, 2021

/s/ JAMES R. NEAL

James R. Neal
Chief Executive Officer

Exhibit 31.2

Certification

I, Thomas Burns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XOMA Corporation;

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 officers 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))) for the registrant and we 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 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

   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 6, 2021

/s/ THOMAS BURNS

Thomas Burns

Senior Vice President, Finance and 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), James R. Neal, Chief Executive Officer of XOMA Corporation (the "Company"), and Thomas Burns, Senior Vice President, Finance and Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2021, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in Exhibit 32.1 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 the 6th day of May, 2021

/s/ JAMES R. NEAL
James R. Neal
Chief Executive Officer

/s/ THOMAS BURNS
Thomas Burns
Senior Vice President, Finance and Chief Financial Officer

3. 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 XOMA Corporation 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.