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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **June 30, 2019**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-36167**

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**Karyopharm Therapeutics Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**26-3931704**  
(I.R.S. Employer  
Identification Number)

**85 Wells Avenue, 2nd Floor**  
**Newton, MA**  
(Address of principal executive offices)

**02459**  
(Zip Code)

**(617) 658-0600**

(Registrant's telephone number, including area code)

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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, \$0.0001 par value	KPTI	Nasdaq Global Select 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of July 31, 2019, there were 61,920,517 shares of Common Stock, \$0.0001 par value per share, outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements (Unaudited).

## Karyopharm Therapeutics Inc.

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**  
**(in thousands, except share and per share amounts)**

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 75,545	\$ 118,021
Short-term investments	141,614	210,178
Prepaid expenses and other current assets	5,671	6,413
Total current assets	<u>222,830</u>	<u>334,612</u>
Property and equipment, net	3,375	3,863
Operating lease right-of-use assets	11,180	—
Long-term investments	—	2,001
Restricted cash	715	716
Total assets	<u>\$ 238,100</u>	<u>\$ 341,192</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,113	\$ 4,332
Accrued expenses	27,799	32,493
Deferred revenue	1,287	9,362
Operating lease liabilities	1,522	—
Deferred rent	—	390
Other current liabilities	453	327
Total current liabilities	<u>32,174</u>	<u>46,904</u>
Convertible senior notes	106,157	102,664
Operating lease liabilities, net of current portion	14,055	—
Deferred revenue, net of current portion	3,245	4,532
Deferred rent, net of current portion	—	3,922
Total liabilities	<u>155,631</u>	<u>158,022</u>
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.0001 par value; 200,000,000 shares authorized; 60,965,505 shares issued and outstanding at June 30, 2019; 100,000,000 shares authorized; 60,829,308 shares issued and outstanding at December 31, 2018	6	6
Additional paid-in capital	865,726	857,156
Accumulated other comprehensive income (loss)	61	(244)
Accumulated deficit	(783,324)	(673,748)
Total stockholders' equity	<u>82,469</u>	<u>183,170</u>
Total liabilities and stockholders' equity	<u>\$ 238,100</u>	<u>\$ 341,192</u>

See accompanying notes to condensed consolidated financial statements.

## Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)  
(in thousands, except share and per share amounts)

	Three Months Ended, June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
License and other revenue	\$ 9,493	\$ 19,891	\$ 9,648	\$ 29,891
Operating expenses:				
Research and development	26,517	44,734	64,491	86,055
General and administrative	24,662	9,489	51,765	17,110
Total operating expenses	51,179	54,223	116,256	103,165
Loss from operations	(41,686)	(34,332)	(106,608)	(73,274)
Other income (expense):				
Interest income	1,412	653	3,183	1,162
Interest expense	(3,089)	—	(6,087)	—
Other (expense) income	(44)	7	(46)	(7)
Total other (expense) income, net	(1,721)	660	(2,950)	1,155
Loss before income taxes	(43,407)	(33,672)	(109,558)	(72,119)
Income tax (provision) benefit	(8)	17	(18)	5
Net loss	\$ (43,415)	\$ (33,655)	\$ (109,576)	\$ (72,114)
Net loss per share—basic and diluted	\$ (0.71)	\$ (0.60)	\$ (1.80)	\$ (1.36)
Weighted-average number of common shares outstanding used in net loss per share—basic and diluted	60,929,024	56,089,159	60,892,860	52,862,194

See accompanying notes to condensed consolidated financial statements.

**Karyopharm Therapeutics Inc.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net loss	<u>\$ (43,415)</u>	<u>\$ (33,655)</u>	<u>\$ (109,576)</u>	<u>\$ (72,114)</u>
Comprehensive income (loss)				
Unrealized gain (loss) on investments	52	104	309	(5)
Foreign currency translation adjustments	37	(78)	(4)	(38)
Comprehensive loss	<u>\$ (43,326)</u>	<u>\$ (33,629)</u>	<u>\$ (109,271)</u>	<u>\$ (72,157)</u>

See accompanying notes to condensed consolidated financial statements.

**Karyopharm Therapeutics Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**  
**(in thousands)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net loss	\$(109,576)	\$ (72,114)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	487	353
Net amortization of premiums and discounts on investments	(968)	270
Amortization of debt discount and issuance costs	3,493	—
Stock-based compensation expense	8,023	8,604
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	742	(1,685)
Operating lease right-of-use assets	531	—
Accounts payable	(3,171)	(1,870)
Accrued expenses and other liabilities	(4,580)	1,624
Operating lease liabilities	(446)	—
Deferred revenue	(9,362)	(8,026)
Deferred rent	—	564
Net cash used in operating activities	(114,827)	(72,280)
<b>Investing activities</b>		
Purchases of property and equipment	(49)	(779)
Proceeds from maturities of investments	118,511	50,602
Purchases of investments	(46,668)	(74,943)
Net cash provided by (used in) investing activities	71,794	(25,120)
<b>Financing activities</b>		
Proceeds from the issuance of common stock, net of issuance costs	—	145,720
Proceeds from the exercise of stock options and shares issued under employee stock purchase plan	547	1,841
Net cash provided by financing activities	547	147,561
Effect of exchange rate on cash, cash equivalents and restricted cash	9	(44)
Net (decrease) increase in cash, cash equivalents and restricted cash	(42,477)	50,117
Cash, cash equivalents and restricted cash at beginning of period	118,737	69,487
Cash, cash equivalents and restricted cash at end of period	<u>\$ 76,260</u>	<u>\$119,604</u>
<b>Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets</b>		
Cash and cash equivalents	\$ 75,545	\$118,966
Short-term restricted cash	—	—
Long-term restricted cash	715	638
Total cash, cash equivalents and restricted cash	<u>\$ 76,260</u>	<u>\$119,604</u>
Supplemental disclosures:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 11,711	\$ —
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,319	\$ —

See accompanying notes to condensed consolidated financial statements.



**Karyopharm Therapeutics Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(unaudited)**  
**(in thousands, except share amounts)**

	Common Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
<b>Balance at March 31, 2019</b>	60,864,445	\$ 6	\$ 861,215	\$ (28)	\$ (739,909)	\$ 121,284
Vesting of restricted stock	—	—	—	—	—	—
Exercise of stock options and shares issued under the employee stock purchase plan	101,060	—	395	—	—	395
Stock-based compensation expense	—	—	4,116	—	—	4,116
Unrealized gain on investments	—	—	—	52	—	52
Foreign currency translation adjustment	—	—	—	37	—	37
Net loss	—	—	—	—	(43,415)	(43,415)
<b>Balance at June 30, 2019</b>	<u>60,965,505</u>	<u>\$ 6</u>	<u>\$ 865,726</u>	<u>\$ 61</u>	<u>\$ (783,324)</u>	<u>\$ 82,469</u>
<b>Balance at March 31, 2018</b>	49,670,328	\$ 5	\$ 629,610	\$ (286)	\$ (533,799)	\$ 95,530
Vesting of restricted stock	98,800	—	—	—	—	—
Exercise of stock options and shares issued under the employee stock purchase plan	206,708	—	1,412	—	—	1,412
Issuance of common stock	10,525,424	1	145,718	—	—	145,719
Stock-based compensation expense	—	—	4,440	—	—	4,440
Unrealized gain on investments	—	—	—	104	—	104
Foreign currency translation adjustment	—	—	—	(78)	—	(78)
Net loss	—	—	—	—	(33,655)	(33,655)
<b>Balance at June 30, 2018</b>	<u>60,501,260</u>	<u>\$ 6</u>	<u>\$ 781,180</u>	<u>\$ (260)</u>	<u>\$ (567,454)</u>	<u>\$ 213,472</u>
<b>Balance at December 31, 2018</b>	60,829,308	\$ 6	857,156	\$ (244)	\$ (673,748)	\$ 183,170
Vesting of restricted stock	5,000	—	—	—	—	—
Exercise of stock options and shares issued under the employee stock purchase plan	131,197	—	547	—	—	547
Stock-based compensation expense	—	—	8,023	—	—	8,023
Unrealized gain on investments	—	—	—	309	—	309
Foreign currency translation adjustment	—	—	—	(4)	—	(4)
Net loss	—	—	—	—	(109,576)	(109,576)
<b>Balance at June 30, 2019</b>	<u>60,965,505</u>	<u>\$ 6</u>	<u>\$ 865,726</u>	<u>\$ 61</u>	<u>\$ (783,324)</u>	<u>\$ 82,469</u>
<b>Balance at December 31, 2017</b>	49,533,150	\$ 5	\$ 625,017	\$ (217)	\$ (495,340)	\$ 129,465
Vesting of restricted stock	103,800	—	—	—	—	—
Exercise of stock options and shares issued under the employee stock purchase plan	338,886	—	1,841	—	—	1,841
Issuance of common stock	10,525,424	1	145,718	—	—	145,719
Stock-based compensation expense	—	—	8,604	—	—	8,604
Unrealized loss on investments	—	—	—	(5)	—	(5)
Foreign currency translation adjustment	—	—	—	(38)	—	(38)
Net loss	—	—	—	—	(72,114)	(72,114)
<b>Balance at June 30, 2018</b>	<u>60,501,260</u>	<u>\$ 6</u>	<u>\$ 781,180</u>	<u>\$ (260)</u>	<u>\$ (567,454)</u>	<u>\$ 213,472</u>

See accompanying notes to condensed consolidated financial statements.



**Karyopharm Therapeutics Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(in thousands except share and per share data)****1. Summary of Significant Accounting Policies*****Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements of Karyopharm Therapeutics Inc., a Delaware corporation (the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2019. For further information, refer to the financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019.

In July 2019, the U.S. Food and Drug Administration (“FDA”) approved XPOVIO<sup>TM</sup> (selinexor) in combination with dexamethasone for the treatment of adult patients with relapsed or refractory multiple myeloma (“RRMM”) who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. This indication is approved under accelerated approval based on response rate. Following accelerated approval by the FDA, XPOVIO became commercially available in the United States in July 2019.

At June 30, 2019, the Company had \$217,159 in cash, cash equivalents and investments. The Company has had recurring losses and incurred a loss of \$109,576 for the six months ended June 30, 2019. Net cash used in operations for the six months ended June 30, 2019 was \$114,827. The Company expects that its cash, cash equivalents and investments at June 30, 2019 will be sufficient to fund current operating plans and capital expenditure requirements for at least twelve months from the date of issuance of these financial statements, during which time the Company plans to continue to commercialize XPOVIO in the United States, which commenced in July 2019.

***Basis of Consolidation***

The condensed consolidated financial statements at June 30, 2019 include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The significant accounting policies used in preparation of these condensed consolidated financial statements on Form 10-Q for the six months ended June 30, 2019 are consistent with those discussed in Note 2 to the financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, except as it relates to the adoption of new accounting standards during the first six months of 2019 as discussed below.

**2. Recent Accounting Pronouncements*****Recently Adopted Accounting Standards***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 supersedes the lease guidance under FASB ASC Topic 840, *Leases*, resulting in the creation of FASB Accounting Standards Codification (“ASC”) Topic 842, *Leases* (“ASC 842”). The new standard requires that all lessees (i) recognize, on the balance sheet, liabilities to remit lease payments and right-of-use assets, representing the right to use the underlying asset for the lease term for both finance and operating leases, and (ii) disclose qualitative and quantitative information about its leasing arrangements.

In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* (“ASU 2018-10”) and ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements* (“ASU 2018-11”). The amendments in ASU 2018-10 and ASU 2018-11 provide additional clarification and implementation guidance on certain aspects of ASU 2016-02 and have the same effective and transition requirements as ASU 2016-02, as detailed below. ASU 2018-11 provides entities the option to not provide comparative period financial statements and instead apply the transition requirements as of the effective date of ASU 2016-02.

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ASU 2016-02, ASU 2018-10, and ASU 2018-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted the standard effective January 1, 2019 using the optional transition method under ASU 2018-11 and, therefore, prior period financial information has not been retrospectively adjusted.

Pursuant to the guidance under ASU 2016-02, the Company elected the optional package of practical expedients to leases that commenced prior to the effective date, which allowed the Company to not reassess: (i) whether expired or existing contracts contain leases; (ii) lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The new standard also allows entities to make certain policy elections, some of which the Company elected, including: (i) a policy to not record right-of-use assets and leases on the balance sheet for short-term leases that qualify and (ii) a policy to not separate lease and non-lease components for certain classes of underlying assets on contracts entered into or modified after the effective date. The Company did not elect the use of hindsight in estimating the lease term for leases subject to transition to the new standard.

As summarized in the table below, the standard had a material impact on the Company's condensed consolidated balance sheet as of June 30, 2019, specifically through recognition of right-of-use assets of \$11,711 and lease liabilities of \$16,023 for the Company's existing operating lease for office space in Newton, MA on the effective date. The difference between the operating lease right-of-use assets and operating lease liabilities is due to the change in classification of deferred rent and lease incentives, as recorded on the Company's condensed consolidated balance sheets through December 31, 2018, from liabilities to reduction in the Company's operating lease right-of-use assets. However, the standard did not have a material impact on the Company's condensed consolidated statement of operations and comprehensive loss for the three and six months ended June 30, 2019, as expense for the Company's existing operating leases continues to be recognized consistent with the recognition pattern before adoption of the new standard. Please refer to Note 8, "Leases" for further information.

	January 1, 2019 Prior to ASC 842 Adoption	ASC 842 Adjustment	January 1, 2019 as Adjusted
Consolidated balance sheet data (in thousands):			
Operating lease and right-of-use assets (1)	\$ —	\$ 11,711	\$ 11,711
Deferred rent (2)	\$ 390	\$ (390)	\$ —
Deferred rent non-current (2)	\$ 3,922	\$ (3,922)	\$ —
Operating lease liabilities (3)	\$ —	\$ 1,175	\$ 1,175
Non-current operating lease liabilities (3)	\$ —	\$ 14,848	\$ 14,848

- (1) Represents capitalization of operating lease right-of-use assets, offset by reclassification of deferred rent and tenant incentives to operating lease right-of-use assets.
- (2) Represents reclassification of deferred rent and tenant incentives to operating lease right-of-use assets.
- (3) Represents recognition of operating lease liabilities.

The Company implemented internal controls to enable the preparation of financial information upon adoption.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). ASU 2018-07 largely aligns the accounting for share-based payment awards issued to employees and nonemployees by expanding the scope of Topic 718 to apply to nonemployee share-based transactions, as long as the transaction is not effectively a form of financing. The new guidance was adopted on January 1, 2019 and it did not have a material impact on the Company's condensed consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements* ("ASU 2018-09"). This amendment makes changes to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. The amendments are effective for annual periods beginning after December 15, 2018 and were adopted effective January 1, 2019. The adoption of these amendments did not have a material impact on the Company's condensed consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *Collaborative Arrangements (Topic 808)—Clarifying the Interaction between Topic 808 and Topic 606* ("ASU 2018-18"). The amendments in ASU 2018-18 clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), when the collaborative arrangement participant is a customer in the context of a unit of account. The amendments under ASU 2018-18 are effective for interim and annual fiscal periods beginning after December 15, 2019, with early adoption permitted. The amendments in ASU 2018-18 should be applied retrospectively to the date of initial application of ASC 606. The Company adopted this guidance effective January 1, 2019 using the modified retrospective approach. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements, as each of the Company's arrangements detailed

below within Note 3, “License and Asset Purchase Agreements,” were previously accounted for under ASC 606, not ASC 808, and the Company has no other arrangements within the scope of ASC 808.

On August 17, 2018, the SEC issued an amendment to Rule 3-04 of Regulation S-X, which extended the annual disclosure requirement of reporting changes in stockholders’ equity to interim periods. Such disclosures are to be provided in a note to the financial statements or in a separate financial statement and requires both the year-to-date information and subtotals for each interim period. On September 25, 2018, the SEC issued guidance under a Compliance and Disclosure Interpretation (“C&DI 105.09”) to clarify the effective date of the requirement. Under the guidance in C&DI 105.09, the Company implemented this updated disclosure requirement beginning with the Form 10-Q for the quarterly period ended March 31, 2019, specifically through inclusion of the comparative condensed consolidated statements of stockholders’ equity.

### **Recently Issued Accounting Standards**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used, and establishes additional disclosures related to credit risks. For available-for-sale debt securities with unrealized losses, this standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. The amendments under ASU 2016-13 are effective for interim and annual fiscal periods beginning after December 15, 2019. The Company is currently evaluating the effects the adoption of ASU 2016-13 will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement—Disclosure Framework—Changes to the Disclosure Requirement for Fair Value Measurement* (“ASU 2018-13”). The amendments in ASU 2018-13 modify the disclosure requirements on fair value measurements in ASC 820, Fair Value Measurement, based on the concepts in the FASB Concepts Statement, including the consideration of costs and benefits. The amendments under ASU 2018-13 are effective for interim and annual fiscal periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the effects the adoption of ASU 2018-13 will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangible-Goodwill and Other Internal-Use Software (Subtopic 350-40)* (“ASU 2018-15”). ASU 2018-15 updates guidance regarding accounting for implementation costs associated with a cloud computing arrangement that is a service contract. The amendments under ASU 2018-15 are effective for interim and annual fiscal periods beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption of ASU 2018-15 to have a material impact on its consolidated financial statements.

## **3. License and Asset Purchase Agreements**

### **Antengene License Agreement**

Effective May 23, 2018 (the “Antengene Effective Date”), the Company entered into a License Agreement (“Antengene License Agreement”) with Antengene Therapeutics Limited, a corporation organized and existing under the laws of Hong Kong (“Antengene”) and a subsidiary of Antengene Corporation Co. Ltd., a corporation organized and existing under the laws of the People’s Republic of China, pursuant to which the Company granted Antengene exclusive rights to develop and commercialize, at its own cost, (i) selinexor, the Company’s lead, novel, oral Selective Inhibitor of Nuclear Export (“SINE”) compound, (ii) eltanexor, the Company’s second-generation oral SINE compound, and (iii) KPT-9274, the Company’s first-in-class orally bioavailable small molecule that is a non-competitive dual modulator of PAK4 and NAMPT, each for the diagnosis, treatment and/or prevention of all human oncology indications (the “Oncology Field”), as well as (iv) verdinexor, the Company’s lead compound in development for the treatment of viral indications for the diagnosis, treatment and/or prevention of certain human non-oncology indications (the “Non-Oncology Field”) (the “Antengene Licensed Compounds”). The Company licensed the development and commercial rights to Antengene for selinexor and eltanexor in the Oncology Field in mainland China and Macau and licensed the development and commercial rights to Antengene for KPT-9274 in the Oncology Field and verdinexor in the Non-Oncology Field in mainland China, Taiwan, Hong Kong, Macau, South Korea, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam (the “Antengene Territory”).

Pursuant to the terms of the Antengene License Agreement, the Company received an upfront payment of \$11,703, and could receive up to \$105,000 in milestone payments if certain development goals are achieved and up to \$45,000 in milestone payments if certain sales milestones are achieved, as well as a high single-digit to low double-digit royalty based on future net sales of the Antengene Licensed Compounds in the Antengene Territory. In addition, upon Antengene’s election and the parties’ full execution of a manufacturing technology transfer plan and satisfaction of other specified conditions (the “Antengene Manufacturing Election”), the Company will grant to Antengene non-exclusive rights to manufacture the Antengene Licensed Compounds and products containing

such compounds in or outside of the Antengene Territory solely for development and commercialization in the fields in the Antengene Territory.

As part of the Antengene License Agreement, Antengene will also have the right to participate in global clinical studies of the Antengene Licensed Compounds and will bear the cost and expense for patients enrolled in clinical studies in the Antengene Territory. Antengene is responsible for seeking regulatory and marketing approvals for the Antengene Licensed Compounds in the Antengene Territory, as well as any development of the products specifically necessary to obtain such approvals. Antengene is also responsible for the commercialization of the Antengene Licensed Compounds in the Oncology Field and Non-Oncology Field, as applicable, in the Antengene Territory at its own cost and expense.

Until such time as Antengene elects to manufacture its own drug substance, the Company will furnish clinical supplies of drug substance to Antengene for use in Antengene's development efforts pursuant to a clinical supply agreement to be entered into by the Company and Antengene, and Antengene may elect to have the Company provide commercial supplies of drug product to Antengene pursuant to a commercial supply agreement to be entered into by the Company and Antengene, in each case the costs of which will be borne by Antengene.

The Antengene License Agreement will continue in effect on a product-by-product, country-by-country basis until the later of the tenth anniversary of the first commercial sale of the applicable product in such country or the expiration of specified patent protection and regulatory exclusivity periods for the applicable product in such country. However, the Antengene License Agreement may be terminated earlier by (i) either party for breach of the Antengene License Agreement by the other party or in the event of the insolvency or bankruptcy of the other party, (ii) Antengene on a product-by-product basis for certain safety reasons or on a product-by-product, country-by-country basis for any reason with 180 days' prior notice or (iii) the Company in the event Antengene challenges or assists with a challenge to certain of the Company's patent rights.

The Company assessed the Antengene arrangement in accordance with ASC 606 and concluded that the contract counterparty, Antengene, is a customer. The Company identified the following material promises under the contract: (i) exclusive licenses for each Antengene Licensed Compound, (ii) initial data transfers for each Antengene Licensed Compound, which consisted of regulatory data compiled by the Company for the Antengene Licensed Compounds as of the Antengene Effective Date, and (iii) obligations to stand-ready to provide an initial clinical supply for each Antengene Licensed Compound. The Company also identified immaterial promises under the contract relating to information exchanges and participation on operating committees and other working groups. Separately, the Company also identified certain customer options that would create an obligation for the Company if exercised by Antengene, including (i) additional data transfers for each Antengene Licensed Compound, which would consist of the transfer of additional regulatory data compiled by the Company for each Antengene Licensed Compound after the Antengene Effective Date, (ii) obligations to provide additional clinical supply and related substance supply for each Antengene Licensed Compound upon request by Antengene, (iii) manufacturing technology transfers and licenses for each Antengene Licensed Compound under the Antengene Manufacturing Election, as detailed above, and (iv) options for a backup compound, which represents Antengene's option to select a replacement compound in the event it elects to discontinue the development of the Antengene Licensed Compounds (the "Antengene Transfer Options"). The Antengene Transfer Options individually represent material rights, as they were offered at a significant and incremental discount. Therefore, they were further assessed as performance obligations under the Antengene License Agreement. Finally, the Company also identified certain other customer options that would create a manufacturing obligation for the Company if exercised by Antengene, including for commercial supply. These options do not represent a material right, as they are not offered at a significant and incremental discount.

In further evaluating the promises detailed above, the Company determined that the exclusive licenses, initial data transfers, and stand-ready obligation to provide initial clinical supply for each Antengene Licensed Compound were not distinct from one another, and must be combined as four separate performance obligations (the "Antengene Combined License Obligation for selinexor", "Antengene Combined License Obligation for eltanexor", "Antengene Combined License Obligation for KPT-9274" and "Antengene Combined License Obligation for verdinexor"). This is because, for each Antengene Licensed Compound, Antengene requires the initial data transfer and initial clinical supply to derive benefit from the exclusive licenses, since the Company did not grant manufacturing licenses to any of the Antengene Licensed Compounds at contract inception. The Company also determined that each of the Antengene Transfer Options represents a distinct performance obligation. Based on these determinations, the Company identified eight performance obligations at the inception of the Antengene License Agreement, including (i) the Antengene Combined License Obligation for selinexor, (ii) the Antengene Combined License Obligation for eltanexor, (iii) the Antengene Combined License Obligation for KPT-9274, (iv) the Antengene Combined License Obligation for verdinexor, and the four components of the Antengene Transfer Options, including (v) the material right for additional data transfer, (vi) the material right for additional clinical supply and related substance supply, (vii) the material right for manufacturing technology transfer and license, and (viii) the material right for the option for a backup compound.

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The Company further determined that the up-front payment of \$11,703 constituted the entirety of the consideration included in the transaction price at contract inception, which was allocated to the performance obligations based on their relative stand-alone selling prices. The Company determined that substantially all of the total standalone selling price in the arrangement is derived from the four Antengene Combined License Obligations for selinexor, eltanexor, KPT-9274 and verdinexor. In connection therewith, the Company also estimated the standalone selling price for each of the material rights within the Antengene Transfer Options, and determined that such amounts were insignificant, and, therefore, immaterial for purposes of allocation. Accordingly, the Company allocated the \$11,703 transaction price amongst the Antengene Combined License Obligations as follows: \$9,362 for selinexor, \$1,054 for eltanexor, \$1,053 for KPT-9274, and \$234 for verdinexor. The Company believes that a change in the assumptions used to determine its best estimate of the stand-alone selling prices for any of the identified performance obligations would not have a significant effect on the allocation of the underlying transaction price to the performance obligations.

Upon execution of the Antengene License Agreement, the only fixed component of the transaction price included the \$11,703 up-front payment owed to the Company. As referenced above, the Company is eligible to receive additional payments of up to \$105,000 in milestone payments if certain development goals are achieved and up to \$45,000 in milestone payments if certain sales milestones are achieved, as well as a high single-digit to low double-digit royalty on future net sales of the Antengene Licensed Compounds in the Antengene Territory. In addition, the Company would receive cost reimbursement in connection with Antengene's election to receive additional clinical supply for the Antengene Licensed Compounds in the future. The future regulatory milestones and cost reimbursement for providing additional clinical supply of the Antengene Licensed Compounds, both of which represent variable consideration, were evaluated under the most likely amount method, and were not included in the transaction price at contract inception and/or through June 30, 2019, because the amounts were fully constrained as of June 30, 2019. As part of its evaluation of the constraint, the Company considered numerous factors, including that receipt of such amounts is outside the control of the Company. Separately, any consideration related to sales-based milestones, as well as royalties on net sales upon commercialization by Antengene, will be recognized when the related sales occur, as they were determined to relate predominantly to the intellectual property licenses granted to Antengene and, therefore, have also been excluded from the transaction price in accordance with the sales-based royalty exception, as well as the Company's accounting policy. The Company will re-evaluate the transaction price in each reporting period, as uncertain events are resolved, or as other changes in circumstances occur.

During the three months ended June 30, 2019, the Company recognized \$9,362 in revenue under the Antengene License Agreement, as the Antengene Combined License Obligation for selinexor was satisfied when the initial clinical supply of selinexor was delivered during this period. Revenue will be recognized for the Antengene Combined License Obligation for eltanexor, the Antengene Combined License Obligation for KPT-9274, and the Antengene Combined License Obligation for verdinexor once the Company's promise to provide initial clinical supply of each of the Antengene Licensed Compounds in the future is fulfilled. The Company currently expects such promises to be fulfilled within the next twelve months, except for the initial clinical supply of eltanexor, which is expected to occur in the third quarter of 2020. Accordingly, and as of June 30, 2019, the remaining \$2,341 of the upfront payment represents a contract liability, (i) \$1,287 of which was included in deferred revenue and is classified as a current liability in the condensed consolidated balance sheet and (ii) \$1,054 of which was included in deferred revenue and is classified as a non-current liability in the condensed consolidated balance sheet.

### ***Biogen Asset Purchase Agreement***

On January 24, 2018, the Company entered into an Asset Purchase Agreement (the "APA") and Letter Agreement with Biogen MA Inc., a Massachusetts corporation and subsidiary of Biogen, Inc. ("Biogen").

Under the terms of the APA and Letter Agreement, the Company sold to Biogen exclusive worldwide rights to develop and commercialize the Company's oral SINE compound KPT-350 and certain related assets with an initial focus in amyotrophic lateral sclerosis ("ALS") (the "Transfer of IP"), and also granted Biogen: (i) an exclusive worldwide license under certain of the Company's intellectual property to manufacture or have manufactured KPT-350 (the "Manufacturing License"), (ii) a technology transfer package, consisting of information and the Company's know-how regarding the manufacture of KPT-350 (the "Manufacturing Technology Transfer"), (iii) a right, at Biogen's request, to have the Company provide transition assistance regarding manufacturing and other matters (the "Transition Assistance"), (iv) existing inventory of KPT-350 (the "Inventory"), (v) an initial supply of KPT-350 (the "Initial Supply"), and (vi) a right, at Biogen's request, to have the Company manufacture and supply the active pharmaceutical ingredient for an additional supply of KPT-350 (the "Additional Supply"). In consideration for these rights, the Company received an upfront payment of \$10,000, and is eligible to receive additional payments of up to \$142,000 based on the achievement by Biogen of future specified development milestones, and up to \$65,000 based on the achievement by Biogen of future specified commercial milestones. The Company will also be eligible to receive tiered royalty payments that reach low double-digits based on future net sales until the later of the tenth anniversary of the first commercial sale of the applicable product and the expiration of specified patent protection for the applicable product, determined on a country-by-country basis.

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The Company and Biogen have made customary representations and warranties and agreed to customary covenants in the APA, including covenants requiring Biogen to use commercially reasonable efforts to develop KPT-350 in specified neurological indications, including ALS, in any of the United States, United Kingdom, France, Spain, Germany or Italy. The APA will continue in effect until the expiration of all royalty obligations, provided that the APA may be terminated earlier by Biogen, subject to the requirements that Biogen (i) negotiate in good faith with the Company regarding an assignment or license back to the Company of the purchased assets and (ii) not transfer or license the purchased assets to a third party unless such third party assumes Biogen's obligations to the Company under the APA.

The Company assessed this arrangement in accordance with ASC 606 and concluded that the contract counterparty, Biogen, is a customer. The Company identified the following material promises in the arrangement: the Transfer of IP and the Manufacturing License. The Company also identified immaterial promises under the contract that were not deemed performance obligations. The Company further determined that other promises for Additional Supply and Transition Assistance represented customer options, which would create an obligation for the Company if exercised by Biogen. Since no additional or material consideration is owed to the Company by Biogen upon exercise of the customer options for Additional Supply and Transition Assistance, the Company determined that both are offered at significant and incremental discounts. Accordingly, they were assessed as material rights and, therefore, separate performance obligations in the arrangement. The Company then determined that the Transfer of IP and the Manufacturing License were not distinct from one another and must be combined as a performance obligation (the "Combined Performance Obligation"). This is because Biogen requires the Manufacturing License to derive benefit from the Transfer of IP. Based on these determinations, as well as the considerations noted above with respect to the material rights for Additional Supply and Transition Assistance, the Company identified three distinct performance obligations at the inception of the contract: (i) the Combined Performance Obligation, (ii) the material right for Additional Supply, and (iii) the material right for Transition Assistance. The Company further determined that the up-front payment of \$10,000 constituted the entirety of the consideration included in the transaction price at contract inception, which was allocated to the performance obligations based on their relative stand-alone selling prices. In connection therewith, the Company estimated the stand-alone selling price of the (i) Combined Performance Obligation, (ii) material right for Additional Supply, and (iii) material right for Transition Assistance, and determined that the stand-alone selling price of the material rights for Additional Supply and Transition Assistance were insignificant based on various quantitative and qualitative considerations. Accordingly, the Company further determined that the allocation of the transaction price to the material rights for Additional Supply and Transition Assistance was insignificant. Based on the estimates of the stand-alone selling prices for each of the performance obligations, the Company determined that substantially all of the \$10,000 transaction price should be allocated to the Combined Performance Obligation. The Company believes that a change in the assumptions used to determine its best estimate of the stand-alone selling prices for the identified performance obligations would not have a significant effect on the allocation of the underlying transaction price to the performance obligations.

Upon execution of the APA, the transaction price included only the \$10,000 up-front payment owed to the Company. The Company may receive further payments upon the achievement of certain regulatory and sales milestones, as detailed above, as well as tiered royalty payments that reach low double-digits based on future net sales. The future regulatory milestones, which represent variable consideration, were evaluated under the most likely amount method, and were not included in the transaction price, because the amounts were fully constrained as of June 30, 2019. As part of its evaluation of the constraint, the Company considered numerous factors, including that receipt of such milestones is outside the control of the Company. Separately, any consideration related to sales-based milestones, as well as royalties on net sales upon commercialization by Biogen, will be recognized when the related sales occur, as they were determined to relate predominantly to the intellectual property and, therefore, have also been excluded from the transaction price in accordance with the sales-based royalty exception, as well as the Company's accounting policy. The Company will re-evaluate the transaction price in each reporting period, as uncertain events are resolved, or as other changes in circumstances occur.

The Company recognized \$10,000 of revenue during the first quarter of 2018, which was when it had satisfied its promises under the Combined Performance Obligation by transferring the underlying promised goods.

### ***Ono License Agreement***

Effective October 11, 2017 (the "Ono Effective Date"), the Company entered into a license agreement (the "Ono License Agreement") with Ono Pharmaceutical Co., Ltd., a corporation organized and existing under the laws of Japan ("Ono"), pursuant to which the Company granted Ono exclusive rights to develop and commercialize, at its own cost, selinexor and eltanexor, for the diagnosis, treatment and/or prevention of all human oncology indications (the "Ono Field") in Japan, Republic of Korea, Republic of China (Taiwan) and Hong Kong, as well as in the ten Southeast Asian countries currently comprising the Association of Southeast Asian Nations (the "Ono Territory") (the "Ono Exclusive License"). Pursuant to the terms of the Ono License Agreement, the Company received an upfront payment of ¥2.5 billion (US\$21,916 on the date received), and could receive up to ¥10.15 billion (approximately US\$90,500 at the exchange rate as of the Ono Effective Date) in milestone payments if certain development goals are achieved and up to ¥9.0 billion (approximately US\$80,200 at the exchange rate as of the Ono Effective Date) in milestone payments if

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certain sales milestones are achieved, as well as a low double-digit royalty based on future net sales of selinexor and eltanexor in the Ono Territory. In addition, upon Ono's election and the parties' full execution of a manufacturing technology transfer plan and satisfaction of other specified conditions (the "Ono Manufacturing Election"), the Company will grant to Ono non-exclusive rights to manufacture selinexor, eltanexor and products containing such compounds in or outside of the Ono Territory solely for development and commercialization in the Ono Field in the Ono Territory.

As part of the Ono License Agreement, Ono will also have the right to participate in global clinical studies of selinexor and eltanexor and will bear the cost and expense for patients enrolled in clinical studies in the Ono Territory. Ono is responsible for seeking regulatory and marketing approvals for selinexor and eltanexor in the Ono Territory, as well as any development of the products specifically necessary to obtain such approvals. Ono is also responsible for the commercialization of products containing selinexor or eltanexor in the Ono Field in the Ono Territory at its own cost and expense.

Subject to the Ono Manufacturing Election, the Company will furnish clinical supplies of drug substance to Ono for use in Ono's development efforts pursuant to a clinical supply agreement to be entered into by the Company and Ono, and Ono may elect to have the Company provide commercial supplies of drug product to Ono pursuant to a commercial supply agreement to be entered into by the Company and Ono, in each case the costs of which will be borne by Ono.

The Ono License Agreement will continue in effect on a product-by-product, country-by-country basis until the later of the tenth anniversary of the first commercial sale of the applicable product in such country or the expiration of specified patent protection and regulatory exclusivity periods for the applicable product in such country. However, the Ono License Agreement may be terminated earlier by (i) either party for breach of the Ono License Agreement by the other party or in the event of the insolvency or bankruptcy of the other party, (ii) Ono on a product-by-product basis for certain safety reasons or on a product-by-product, country-by-country basis for any reason with 180 days' prior notice or (iii) the Company in the event Ono challenges or assists with a challenge to certain of the Company's patent rights.

The Company assessed this arrangement in accordance with ASC 606 and concluded that the contract counterparty, Ono, is a customer. The Company identified the following material promises under the contract: (i) the Ono Exclusive License for selinexor and eltanexor, (ii) initial data transfer for selinexor and eltanexor, which consisted of regulatory data compiled by the Company for the licensed compounds and products as of the Ono Effective Date, (iii) initial clinical supply for selinexor, which consisted of units of clinical supply for Ono to conduct its Phase I Trial, and (iv) an obligation to stand-ready to provide initial clinical supply for eltanexor. The Company also identified immaterial promises under the contract relating to information exchanges, and participation on operating committees and other working groups. Separately, the Company also identified certain customer options that would create an obligation for the Company if exercised by Ono, including the (i) additional data transfer for selinexor and eltanexor, which would consist of the transfer of additional regulatory data compiled by the Company for the licensed compounds and products after the Ono Effective Date, (ii) additional clinical supply and related substance supply for selinexor and eltanexor, which would consist of supplying Ono with units and substance of selinexor and eltanexor incremental to the initial clinical supply for selinexor and the obligation to stand-ready to provide initial clinical supply for eltanexor, as noted above, (iii) manufacturing technology transfer and license for selinexor and eltanexor under the Ono Manufacturing Election, as detailed above, and (iv) options for a backup compound, which represents Ono's option to select a replacement compound in the event it elects to discontinue the development of either of the licensed compounds (the "Ono Transfer Options"). The Ono Transfer Options individually represent material rights, as they were offered at a significant and incremental discount. Therefore, they were further assessed as performance obligations under the Ono License Agreement. The Company also identified certain other customer options that would create a manufacturing obligation for the Company if exercised by Ono, including commercial supply. This option is referred to herein as the "Ono Manufacturing Option." The Ono Manufacturing Option does not represent a material right, as it is not offered at a significant and incremental discount.

In further evaluating the promises detailed above, the Company determined that the (i) Ono Exclusive License, initial data transfer, and initial clinical supply for selinexor and (ii) Ono Exclusive License, initial data transfer, and obligation to stand-ready to provide initial clinical supply of eltanexor were not distinct from one another, and must be combined as two separate performance obligations (the "Ono Combined License Obligation for selinexor" and the "Ono Combined License Obligation for eltanexor"). This is because, for both selinexor and eltanexor, Ono requires the initial data transfer and clinical supply to derive benefit from the Ono Exclusive License since the Company did not grant manufacturing licenses for selinexor and eltanexor at contract inception. The Company also determined that each of the Ono Transfer Options represents a distinct performance obligation. Based on these determinations, the Company identified six distinct performance obligations at the inception of the Ono License Agreement, including (i) the Ono Combined License Obligation for selinexor, (ii) the Ono Combined License Obligation for eltanexor, and the four components of the Ono Transfer Options, including (iii) the material right for additional data transfer, (iv) the material right for additional clinical supply and related substance supply, (v) the material right for manufacturing technology transfer and license, and (vi) the material right for the option for a backup compound.



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The Company further determined that the up-front payment of ¥2.5 billion (US\$21,916 on the date received) constituted the entirety of the consideration included in the transaction price at contract inception, which was allocated to the performance obligations based on the Company's best estimate of their relative stand-alone selling prices. The Company determined that substantially all of the total standalone selling price in the arrangement is derived from the Ono Combined License Obligation for selinexor and the Ono Combined License Obligation for eltanexor. In connection therewith, the Company estimated the standalone selling price for each of the material rights within the Ono Transfer Options, and determined that such amounts were insignificant, and, therefore, immaterial for purposes of allocation. Accordingly, the Company allocated the ¥2.5 billion (US\$21,916 on the date received) upfront transaction price between the Ono Combined License Obligations as follows: \$19,724 for selinexor and \$2,192 for eltanexor. The Company believes that a change in the assumptions used to determine its best estimate of the stand-alone selling prices for any of the identified performance obligations would not have a significant effect on the allocation of the underlying transaction price to the performance obligations.

Upon execution of the Ono License Agreement, the transaction price included only the ¥2.5 billion (US\$21,916 on the date received) up-front payment owed to the Company. As referenced above, the Company is eligible to receive additional payments of up to ¥10.15 billion based on the achievement by Ono of future specified development milestones and up to ¥9.0 billion based on the achievement by Ono of future specified commercial milestones, as well as a low double-digit royalty based on future net sales of selinexor and eltanexor in the Ono Territory. In addition, the Company could receive cost reimbursement in connection with its promise to stand-ready to provide initial clinical supply for eltanexor in the future. The future regulatory milestones and cost reimbursement for providing initial clinical supply of eltanexor, both of which represent variable consideration, were evaluated under the most likely amount method, and were not included in the transaction price, because the amounts were fully constrained as of June 30, 2019. As part of its evaluation of the constraint, the Company considered numerous factors, including that receipt of such amounts is outside the control of the Company. Separately, any consideration related to sales-based milestones, as well as royalties on net sales upon commercialization by Ono, will be recognized when the related sales occur, as they were determined to relate predominantly to the intellectual property granted to Ono and, therefore, have also been excluded from the transaction price in accordance with the sales-based royalty exception, as well as the Company's accounting policy. The Company will re-evaluate the transaction price in each reporting period, as uncertain events are resolved, or as other changes in circumstances occur.

As the initial clinical supply of selinexor was delivered in April 2018, the Ono Combined License Obligation for selinexor was determined to be fulfilled and revenue of \$19,724 was recognized during the quarter ended June 30, 2018. The transaction price allocated to the Ono Combined License Obligation for eltanexor will be recognized as revenue once the Company's stand-ready promise to provide initial clinical supply of eltanexor in the future is fulfilled, which is the last remaining undelivered promise associated with the Ono Combined License Obligation for eltanexor. As of June 30, 2019, \$2,192 of the Ono License Agreement upfront payment is included in deferred revenue and is classified as a non-current liability in the condensed consolidated balance sheet.

### ***Anivive License Agreement***

On April 28, 2017 (the "Anivive Effective Date"), the Company entered into a license agreement (the "Anivive Agreement") with Anivive Lifesciences, Inc. ("Anivive"), a biopharmaceutical company engaged in the research, development and commercialization of animal health medicines, pursuant to which the Company has granted Anivive an exclusive, worldwide license to develop and commercialize verdinexor (KPT-335) for the treatment of cancer in companion animals (the "Anivive Exclusive License"). Pursuant to the terms of the Anivive Agreement, the Company received an upfront payment of \$1,000 and a payment of \$250 upon the completion of the technology transfer, which occurred during the year ended December 31, 2017. In addition, the Company is eligible to receive potential clinical, regulatory and commercial development milestone payments totaling up to \$43,250, as well as a low double-digit royalty based on Anivive's future net sales of verdinexor following commercialization. The potential future milestone payments are composed of \$5,750 based on achievement of clinical and regulatory milestone events and \$37,500 based on achievement of sales milestone events.

The Company assessed this arrangement in accordance with ASC 606 and concluded that the contract counterparty, Anivive, is a customer. The Company identified the following material promises under the contract, the Anivive Exclusive License and the technology transfer, which consisted of regulatory data compiled by the Company for the licensed compound and product as of the Anivive Effective Date. The Company also identified immaterial promises under the contract that were not deemed performance obligations, including participating on a product advisory committee and sharing regulatory matter information. The Company further determined that other promises for (i) transfer of additional technology in the future, if developed by the Company, and (ii) facilitating manufacturing and supply relationships with the Company's third-party contract manufacturers represented customer options, would create an obligation for the Company if exercised by Anivive. Since no additional or immaterial consideration is owed to the Company by Anivive upon exercise of the customer options noted, the Company determined that both are offered at significant and incremental discounts. Accordingly, they were assessed as material rights and, therefore, separate performance obligations in the arrangement.



In further evaluating the promises detailed above, the Company determined that the Anivive Exclusive License and the technology transfer were not distinct from one another and must be combined as a performance obligation (the “Anivive Combined License Obligation”). This is because Anivive requires the technology transfer to derive benefit from the Anivive Exclusive License. Based on these determinations, the Company identified three distinct performance obligations at the inception of the contract: (i) the Anivive Combined License Obligation, (ii) the material right for transfer of additional technology in the future, if developed by the Company, and (iii) the material right for facilitating manufacturing and supply relationships with the Company’s third-party contract manufacturers.

The Company further determined that the up-front payment of \$1,000 upon contract execution, as well as the \$250 upon completion of the technology transfer, constituted the entirety of the consideration included in the transaction price as of the transition date, January 1, 2018, which was allocated to the performance obligations based on their relative stand-alone selling prices. In connection therewith, the Company estimated the stand-alone selling price of the (i) Anivive Combined License Obligation, (ii) material right for transfer of additional technology in the future, if developed by the Company, and (iii) the material right for facilitating manufacturing and supply relationships with the Company’s third-party contract manufacturers, and determined that the stand-alone selling price of the material rights noted were insignificant based on various qualitative considerations. Accordingly, the Company further determined that the allocation of the upfront payment to the material rights noted was insignificant. Based on the estimates of the stand-alone selling prices for each of the performance obligations, the Company determined that substantially all of the \$1,250 transaction price should be allocated to the Anivive Combined License Obligation. The Company believes that a change in the assumptions used to determine its best estimate of the stand-alone selling prices for the identified performance obligations would not have a significant effect on the allocation of the underlying transaction price to the performance obligations.

As referenced above, the up-front payment of \$1,000 upon contract execution, as well as the \$250 upon completion of the technology transfer, constituted the entirety of the consideration included in the transaction price as of the transition date, January 1, 2018. The Company is also eligible to receive additional payments up to \$5,750 based on achievement of clinical and regulatory milestone events and up to \$37,500 based on achievement of sales milestone events, as well as a low double-digit royalty based on Anivive’s future net sales of verdinexor following commercialization. The future regulatory milestones, which represent variable consideration, were evaluated under the most likely amount method, and were not included in the transaction price, because the amounts are fully constrained as of June 30, 2019. As part of its evaluation of the constraint, the Company considered numerous factors, including that receipt of such milestones is outside the control of the Company. Separately, any consideration related to sales-based milestones, as well as royalties on net sales upon commercialization by Anivive, will be recognized when the related sales occur, as they were determined to relate predominantly to the intellectual property granted to Anivive and, therefore, have also been excluded from the transaction price in accordance with the sales-based royalty exception, as well as the Company’s policy. The Company will re-evaluate the transaction price in each reporting period, as uncertain events are resolved, or as other changes in circumstances occur.

To date, the Company has recognized \$1,250 of revenue associated with the Anivive Agreement. Revenue for the upfront payment and technology transfer milestone was recognized upon completion of the technology transfer in October 2017, as all promises under the Anivive Combined License Obligation had been fulfilled.

#### **4. Fair Value of Financial Instruments**

Financial instruments, including cash, restricted cash, prepaid expenses and other current assets, accounts payable and accrued expenses are presented in the condensed consolidated financial statements at amounts that approximate fair value at June 30, 2019 and December 31, 2018.

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. The fair value hierarchy prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

Level 1 inputs	Quoted prices in active markets for identical assets or liabilities
Level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 inputs	Unobservable inputs that reflect the Company’s own assumptions about the assumptions market participants would use in pricing the asset or liability

Items classified as Level 2 within the valuation hierarchy consist of commercial paper, corporate debt securities, U.S. government agency securities and certificates of deposit. The Company estimates the fair values of these marketable securities by

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taking into consideration valuations obtained from third-party pricing sources. These pricing sources utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include market pricing based on real-time trade data for the same or similar securities, issuer credit spreads, benchmark yields, and other observable inputs. The Company validates the prices provided by its third-party pricing sources by understanding the models used, obtaining market values from other pricing sources and analyzing pricing data in certain instances.

The following table presents information about the Company's financial assets that have been measured at fair value at June 30, 2019 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

<u>Description</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Financial assets</b>				
Cash equivalents:				
Money market funds	\$ 21,211	\$ 21,211	\$ —	\$ —
Commercial paper	15,722	—	15,722	—
Investments:				
Current:				
Corporate debt securities	81,086	—	81,086	—
Commercial paper	37,246	—	37,246	—
U.S. government and agency securities	19,282	—	19,282	—
Certificate of deposit	4,000	—	4,000	—
	<u>\$ 178,547</u>	<u>\$ 21,211</u>	<u>\$ 157,336</u>	<u>\$ —</u>

The following table presents information about the Company's financial assets that have been measured at fair value at December 31, 2018 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

<u>Description</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Financial assets</b>				
Cash equivalents:				
Money market funds	\$ 62,320	\$ 62,320	\$ —	\$ —
Corporate debt securities	6,823	—	6,823	—
Commercial paper	7,738	—	7,738	—
Investments:				
Current:				
Corporate debt securities	143,079	—	143,079	—
Commercial paper	43,978	—	43,978	—
U.S. government and agency securities	19,124	—	19,124	—
Certificate of deposit	3,997	—	3,997	—
Non-current:				
Corporate debt securities (one to two year maturity)	2,001	—	2,001	—
	<u>\$ 289,060</u>	<u>\$ 62,320</u>	<u>\$ 226,740</u>	<u>\$ —</u>

## 5. Investments

The following table summarizes the Company's investments in debt securities, classified as available-for-sale, as of June 30, 2019 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	\$ 81,037	\$ 60	\$ (11)	\$ 81,086
Commercial paper	37,219	27	—	37,246
U.S. government and agency securities	19,263	21	(2)	19,282
Certificate of deposit	4,000	—	—	4,000
	<u>\$ 141,519</u>	<u>\$ 108</u>	<u>\$ (13)</u>	<u>\$ 141,614</u>

The following table summarizes the Company's investments in debt securities, classified as available-for-sale as of December 31, 2018 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	\$ 143,254	\$ 3	\$ (178)	\$ 143,079
Commercial paper	44,001	—	(23)	43,978
U.S. government and agency securities	19,131	10	(17)	19,124
Certificate of deposit	4,000	—	(3)	3,997
Non-current:				
Corporate debt securities (one to two year maturity)	2,007	—	(6)	2,001
	<u>\$ 212,393</u>	<u>\$ 13</u>	<u>\$ (227)</u>	<u>\$ 212,179</u>

At June 30, 2019 and December 31, 2018, the Company held 9 and 79 debt securities, respectively, that were in an unrealized loss position. The aggregate fair value of debt securities in an unrealized loss position at June 30, 2019 and December 31, 2018 was \$19,713 and \$180,627, respectively. As of June 30, 2019, two corporate debt securities with a fair value of \$3,496 had been in a continuous unrealized loss position for more than 12 months. The unrealized loss of \$4 related to these corporate debt securities are included in accumulated other comprehensive loss as of June 30, 2019. At June 30, 2019, the Company did not intend to sell the securities with an unrealized loss position in accumulated other comprehensive income, and it is not likely that the Company will be required to sell these securities before recovery of their amortized cost basis.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. Other-than-temporary impairments of investments are recognized in the condensed consolidated statements of operations if the Company has experienced a credit loss and has the intent to sell the investment or if it is more likely than not that the Company will be required to sell the investment before recovery of the amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and the duration of the impairment and changes in value subsequent to the end of the period. The unrealized losses at June 30, 2019 and December 31, 2018 are attributable to changes in interest rates and the Company does not believe any unrealized losses represent other-than-temporary impairments.

## 6. Net Loss Per Share

Basic and diluted net loss per common share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. The Company's potentially dilutive shares, which include outstanding stock options and unvested restricted stock and restricted stock units, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

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The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Three and Six Months Ended June 30,	
	2019	2018
Outstanding stock options	10,410,757	8,996,219
Unvested restricted stock units	903,900	123,800

The Company has the option to settle the conversion obligation for its 3.00% convertible senior notes issued October 2018, and due 2025, in cash, shares or any combination of the two. As such notes were not convertible as of June 30, 2019, they are not participating securities and do not have an impact on the calculation of basic earnings or loss per share. Based on the Company's net loss position, there was no impact on the calculation of dilutive loss per share during the three and six months ended June 30, 2019.

## 7. Stock-based Compensation

### Stock Options

A summary of the Company's stock option activity and related information follows:

	Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2018	8,917,084	\$ 13.78	7.4	\$ 8,197
Granted	2,623,450	7.98		
Exercised	(30,618)	4.72		
Canceled	(1,099,159)	13.33		
Outstanding at June 30, 2019	10,410,757	12.40	7.17	\$ 2,597
Exercisable at June 30, 2019	5,315,339	\$ 14.79	5.71	\$ 2,065

Total stock-based compensation expense related to stock options for the six months ended June 30, 2019 and 2018 was \$6,772 and \$8,169, respectively.

As of June 30, 2019, there was \$32,688 of total unrecognized stock-based compensation expense related to stock options. The expense is expected to be recognized over a weighted-average period of 2.9 years.

### Restricted Stock Units

A restricted stock unit ("RSU") represents the right to receive one share of the Company's common stock upon vesting of the RSU. The fair value of each RSU is based on the closing price of the Company's common stock on the date of grant. The Company grants RSUs with service conditions that vest in two or four equal annual installments provided that the employee remains employed with the Company ("Time-Based RSUs").

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During the six months ended June 30, 2019, the Company granted Time-Based RSUs under the 2013 Stock Incentive Plan (the "2013 Plan") that vest in four equal annual installments. The following is a summary of RSU activity for the 2013 Plan for the six months ended June 30, 2019:

	Number of Shares Underlying RSUs	Weighted- Average Grant Date Fair Value
Unvested at December 31, 2018	25,000	\$ 9.87
Granted	1,024,750	9.18
Forfeited	(140,850)	9.21
Vested	(5,000)	10.27
Unvested at June 30, 2019	903,900	\$ 9.19

The total stock-based compensation expense related to RSUs for the six months ended June 30, 2019 and 2018 was \$819 and \$78, respectively.

As of June 30, 2019, there was \$7,476 of unrecognized compensation costs related to unvested Time-Based RSUs, which are expected to be recognized over a weighted-average period of 3.6 years.

Separately, during the year ended December 31, 2017, the Company also granted performance-based RSUs, which vest upon the achievement of certain performance goals subject to the employee's continued employment ("Performance-Based RSUs").

During the six months ended June 30, 2018, the Company recognized \$180 of stock-based compensation expense related to a portion of the Performance-Based RSUs when the associated performance goal became probable of achievement in the first quarter and was achieved in the second

quarter of 2018. The remaining 98,800 Performance-Based RSUs were forfeited in July 2018 when the other performance goal was not achieved.

### ***Employee Stock Purchase Plan***

The Company has an Employee Stock Purchase Plan (“ESPP”) that permits eligible employees to enroll in six-month offering periods. Participants may purchase shares of the Company’s common stock, through payroll deductions, at a price equal to 85% of the fair market value of the common stock on the first or last day of the applicable six-month offering period, whichever is lower. Purchase dates under the ESPP occur on or about May 1 and November 1 of each year. In 2013, the Company’s stockholders approved the reservation of 242,424 shares of the Company’s common stock for issuance under the ESPP, plus an annual increase to be added on the first day of each fiscal year, commencing on January 1, 2015 and ending on December 31, 2023, equal to the lesser of 484,848 shares of the Company’s common stock, 1% of the number of outstanding shares on such date, or an amount determined by the board of directors.

For the six months ended June 30, 2019 and 2018, the Company recorded stock-based compensation expense related to the ESPP of \$432 and \$177, respectively. As of June 30, 2019, 720,676 shares of the Company’s common stock remained available for issuance under the ESPP. As of June 30, 2019, there was \$472 of total unrecognized stock-based compensation expense related to the ESPP. The expense is expected to be recognized over a period of four months.

## **8. Leases**

### ***Operating Leases***

The Company is party to an operating lease of 98,502 square feet of office and research space in Newton, Massachusetts with a term through September 30, 2025 (the “Newton, MA Lease”). Pursuant to the Newton, MA Lease, the Company has provided a security deposit in the form of a cash-collateralized letter of credit in the amount of \$550. The amount is classified within non-current restricted cash on the condensed consolidated balance sheets.

Upon the adoption of ASU 2016-02, the Company recorded an operating lease right-of-use asset of \$11,711 and corresponding lease liability of \$16,023 related only to the Newton, MA Lease. As of December 31, 2018, there was a balance of \$1,665 and \$2,646 related to unamortized deferred rent and tenant incentive allowances for the Newton, MA Lease, both accounted for as liabilities on



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the Company's condensed consolidated balance sheet. These balances were deducted from the lease liability on the Newton, MA Lease in arriving at the right-of-use asset upon adoption of ASU 2016-02 on January 1, 2019.

The Newton, MA Lease provides for increases in future minimum annual rental payments, as defined in the lease agreement. The Newton, MA Lease also includes real estate taxes and common area maintenance ("CAM") charges in the annual rental payments. As these charges were included in minimum annual rental payments as part of the Company's accounting for the Newton, MA Lease under ASC 840 through December 31, 2018, the Company has included such amounts in the calculation of the operating lease liability, consistent with ASC 842 and the Company's accounting policy elections thereunder, as specified in Note 2, "Recent Accounting Pronouncements." The operating lease cost for the Newton, MA Lease for the six months ended June 30, 2019 was \$1,404, of which approximately \$441 was charges for CAM.

The Company is also party to operating leases in both Munich, Germany and Tel Aviv, Israel with lease periods through January 2020 and June 2019, respectively. The remaining lease payments on such arrangements were \$54 in aggregate, as of June 30, 2019, and therefore, the associated operating lease liabilities and operating lease right-of-use assets were not capitalized upon adoption of ASU 2016-02. The operating lease cost for these arrangements was \$75 for the six months ended June 30, 2019.

In addition, the Company is party to short-term leases having a term of twelve months or less at the commencement date. The Company recognizes short-term lease expense on a straight-line basis and does not record a related right-of use asset or lease liability for such leases. These costs were insignificant for the six months ended June 30, 2019.

### **Lease Commitments**

As of June 30, 2019, future minimum lease payments under non-cancellable operating lease agreements for which the Company has recognized operating lease right-of-use assets and liabilities are as follows:

<b>Years ended December 31,</b>	<b>Future Minimum Payments</b>
2019	\$ 1,571
2020	3,200
2021	3,277
2022	3,447
2023 and thereafter	10,453
Total minimum lease payments	\$ 21,948
Less: present value adjustment	(6,371)
Present value of minimum lease payments	\$ 15,577

As of June 30, 2019, the remaining lease term on the Newton, MA Lease was 6.2 years. The lease has a renewal option for an additional five years, although there is no economic penalty for failure to exercise the option. However, because the Company did not elect the use of hindsight in estimating the lease term for leases subject to transition to the new standard, and the renewal option was not previously considered in the Company's assessment of the lease term for the Newton, MA Lease before adoption of ASC 842, the renewal option was not considered as part of the lease term in calculating the operating lease right-of-use assets and liabilities as of January 1, 2019.

As a discount rate was not directly observable for the Company's Newton, MA Lease, the discount rate used to calculate the net present value of future payments was the Company's incremental borrowing rate calculated at transition based on the remaining lease term. Upon adoption and through June 30, 2019, the discount rate used to calculate the operating lease liability was 11.0%. The incremental borrowing rate is the rate of interest that the Company would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment. In determining the incremental borrowing rate, the Company considered (i) its estimated public credit rating, (ii) observable debt yields of the Company, as well as other bonds in the market issued by other companies with similar credit ratings as the Company, and (iii) adjustments necessary for collateral, lease term, and inflation or foreign currency.

## 9. Equity

### *Underwritten Offerings*

On May 7, 2018, the Company completed a follow-on offering under its shelf registration statement on Form S-3 (File No. 333-222726) pursuant to which the Company issued an aggregate of 10,525,424 shares of common stock, which included the full exercise of the underwriters' option to purchase additional shares, at a public offering price of \$14.75 per share. The Company received aggregate net proceeds of approximately \$145,720 from the offering after deducting the underwriting discounts and commissions and other offering expenses.

### *Open Market Sale Agreement*

On August 17, 2018, the Company entered into an Open Market Sale Agreement (the "Open Market Sale Agreement") with Jefferies LLC, as agent ("Jefferies"), pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$75,000 (the "Open Market Shares") from time to time through Jefferies (the "Open Market Offering").

Under the Open Market Sale Agreement, Jefferies may sell the Open Market Shares by methods deemed to be an "at the market offering" as defined in Rule 415(a)(4) promulgated under the Securities Act. The Company may sell the Open Market Shares in amounts and at times to be determined by the Company from time to time subject to the terms and conditions of the Open Market Sale Agreement, but it has no obligation to sell any of the Open Market Shares in the Open Market Offering.

The Company or Jefferies may suspend or terminate the offering of Open Market Shares upon notice to the other party and subject to other conditions. The Company has agreed to pay Jefferies commissions for its services in acting as agent in the sale of the Open Market Shares in the amount of up to 3.0% of gross proceeds from the sale of the Open Market Shares pursuant to the Open Market Sale Agreement. The Company has also agreed to provide Jefferies with customary indemnification and contribution rights.

The Company had not sold any shares under the Open Market Sale Agreement as of June 30, 2019.

## 10. Convertible Senior Notes

### *3.00% Convertible Senior Notes due 2025*

On October 16, 2018, the Company completed an offering of \$150,000 aggregate principal amount of the Company's 3.00% convertible senior notes due 2025 (the "Notes"). In addition, on October 26, 2018, the Company issued an additional \$22,500 aggregate principal amount of the Notes pursuant to the full exercise of the option to purchase additional Notes granted to the initial purchasers in the offering. The Notes were sold in a private offering to qualified institutional buyers in reliance on Rule 144A under the Securities Act. In accordance with accounting guidance for debt with conversion and other options, the Company separately accounted for the liability component ("Liability Component") and the embedded conversion option ("Equity Component") of the Notes by allocating the proceeds between the Liability Component and the Equity Component, due to the Company's ability to settle the Notes in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at its option. In connection with the issuance of the Notes, the Company incurred approximately \$5,615 of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees, and allocated these costs between the Liability Component and the Equity Component based on the allocation of the proceeds. Of the total debt issuance costs, \$2,209 was allocated to the Equity Component and recorded as a reduction to additional paid-in capital and \$3,407 was allocated to the Liability Component and recorded as a reduction of the Notes in the Company's consolidated balance sheets. The portion allocated to the Liability Component is amortized to interest expense using the effective interest method over seven years.

The Notes are senior unsecured obligations of the Company and bear interest at a rate of 3.00% per year payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2019. Upon conversion, the Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The Notes will be subject to redemption at the Company's option, on or after October 15, 2022, in whole or in part, if the conditions described below are satisfied. The Notes will mature on October 15, 2025, unless earlier converted, redeemed or repurchased in accordance with their terms. Subject to satisfaction of certain conditions and during the periods described below, the Notes may be converted at an initial conversion rate of 63.0731 shares of common stock per \$1 principal amount of the Notes (equivalent to an initial conversion price of approximately \$15.85 per share of common stock).

Holders of the Notes may convert all or any portion of their Notes, in multiples of \$1 principal amount, at their option at any time prior to the close of business on the business day immediately preceding June 15, 2025 only under the following circumstances:

- (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day;
- (2) during the five business day period immediately after any five consecutive trading day period (the "Measurement Period") in which the trading price per \$1,000 principal amount of Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- (3) if the Company calls the Notes for redemption, until the close of business on the business day immediately preceding the redemption date; or
- (4) upon the occurrence of specified corporate events as described within the indenture governing the Notes.

As of June 30, 2019, none of the above circumstances had occurred and as such, the Notes could not have been converted.

The Company may not redeem the Notes prior to October 15, 2022. On or after October 15, 2022, the Company may redeem for cash all or part of the Notes at its option if the last reported sale price of the Company's common stock equals or exceeds 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending within five trading days prior to the date on which the Company sends any notice of redemption. The redemption price will be 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any. In addition, calling any convertible note for redemption will constitute a make-whole fundamental change with respect to that convertible note, in which case the conversion rate applicable to the conversion of that convertible note, if it is converted in connection with the redemption, will be increased in certain circumstances.

The initial carrying amount of the Liability Component of \$101,243 was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The allocation was performed in a manner that reflected the Company's non-convertible borrowing rate for similar debt. The Equity Component of the Notes of \$67,850 was recognized as a debt discount and represents the difference between the proceeds from the issuance of the Notes of \$172,500 and the fair value of the liability of the Notes of approximately \$104,650 on their respective dates of issuance. The excess of the principal amount of the Liability Component over its carrying amount is amortized to interest expense using the effective interest method over seven years. The Equity Component is not remeasured as long as it continues to meet the conditions for equity classification.

The outstanding balances of the Notes as of June 30, 2019 consisted of the following (in thousands):

Liability component:	
Principal	\$172,500
Less: debt discount and issuance costs, net	(66,343)
Net carrying amount	\$106,157
Equity component:	\$ 70,059

The Company determined the expected life of the Notes was equal to its seven-year term. The effective interest rate on the Liability Component of the Notes was 11.85%. As of June 30, 2019, the "if-converted value" did not exceed the remaining principal amount of the Notes. The fair value of the Notes was determined based on data points other than quoted prices that are observable, either directly or indirectly, and has been classified as Level 2 within the fair value hierarchy. The fair value of the Notes, which differs from their carrying value, is influenced by market interest rates, the Company's stock price and stock price volatility. The estimated fair value of the Notes as of June 30, 2019 was approximately \$105,918.

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The following table sets forth total interest expense recognized related to the Notes during the six months ended June 30, 2019 (in thousands):

	<b>Six Months Ended June 30, 2019</b>
Contractual interest expense	\$ 2,594
Amortization of debt discount	3,326
Amortization of debt issuance costs	167
Total interest expense	<u>\$ 6,087</u>

Future minimum payments on the Notes as of June 30, 2019 were as follows (in thousands):

<b>Years ended December 31,</b>	<b>Future Minimum Payments</b>
2019	\$ 5,175
2020	5,175
2021	5,175
2022	5,175
2023 and thereafter	188,025
Total minimum payments	<u>\$ 208,725</u>
Less: interest	(36,225)
Less: unamortized discount	(66,343)
Less: current portion	—
Long term debt	<u>\$ 106,157</u>



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

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report.*

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the following discussion, contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding possible achievement of discovery and development milestones, including regulatory submissions and approvals, our future discovery and development efforts, our commercialization efforts, our collaborations and partnering agreements with third parties, our strategy, our future operations, financial position and revenues, projected costs, prospects, plans and objectives of management, are forward looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the plans, intentions, expectations or results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to successfully commercialize XPOVIO

<sup>TM</sup>  
(selinexor), adverse results in our drug discovery and clinical development activities, decisions made by the U.S. Food and Drug Administration (FDA) and other regulatory authorities with respect to the development and commercialization of our drug candidates, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional potential product candidates, our ability to obtain, maintain and enforce our intellectual property rights, the outcome of research and development activities and the fact that the preclinical and clinical testing of our compounds may not be predictive of the success of later clinical trials, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K), as filed with the Securities and Exchange Commission (SEC) on February 28, 2019, and other filings with the SEC.

As a result of these and other factors, we may not actually achieve the plans, intentions, expectations or results disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### OVERVIEW

We are an oncology-focused pharmaceutical company dedicated to the discovery, development and commercialization of novel, first-in-class drugs directed against nuclear export and related targets for the treatment of cancer and other major diseases. Our **Selective Inhibitor of Nuclear Export (SINE)** compounds function by binding with and inhibiting the nuclear export protein exportin 1 (XPO1). Our initial focus has been on seeking the regulatory approval and commercialization of our lead SINE compound, selinexor, as an oral agent in cancer indications with significant unmet clinical need, initially for hematologic malignancies.

In July 2019, the FDA approved XPOVIO<sup>TM</sup> (selinexor) in combination with dexamethasone for the treatment of adult patients with relapsed or refractory multiple myeloma (RRMM) who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. This indication is approved under accelerated approval based on response rate. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial. The ongoing, randomized Phase 3 BOSTON (**B**ortezomib, **S**elinexor and **D**examethasone) study evaluating selinexor in combination with Velcade® (bortezomib) and low-dose dexamethasone will serve as the confirmatory trial.

The accelerated approval of XPOVIO was based on results from the Phase 2b STORM (Selinexor Treatment of Refractory Myeloma) trial, which was a multicenter, single-arm, open-label study of patients with RRMM. STORM Part 2 included 122 patients with RRMM who had previously received three or more anti-myeloma treatment regimens including an alkylating agent, glucocorticoids, bortezomib, carfilzomib, lenalidomide, pomalidomide, and an anti-CD38 monoclonal antibody; and whose myeloma was documented to be refractory to glucocorticoids, a proteasome inhibitor, an immunomodulatory agent, an anti-CD38 monoclonal antibody, and to the last line of therapy.



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In STORM Part 2, a total of 122 patients were treated with XPOVIO (80 mg) in combination with dexamethasone (20 mg) on Days 1 and 3 of every week. Eighty-three patients had RRMM that was documented to be refractory to bortezomib, carfilzomib, lenalidomide, pomalidomide, and daratumumab. Treatment continued until disease progression, death, or unacceptable toxicity.

The major efficacy outcome measure was overall response rate (ORR), as assessed by an Independent Review Committee based on the International Myeloma Working Group (IMWG) Uniform Response Criteria for Multiple Myeloma. The approval of XPOVIO was based upon the efficacy and safety in a prespecified subgroup analysis of the 83 patients whose disease was refractory to bortezomib, carfilzomib, lenalidomide, pomalidomide, and daratumumab, as the benefit-risk ratio appeared to be greater in this more heavily pretreated population than in the overall trial population.

For the STORM Part 2 study's major efficacy outcome measure, the ORR was 25.3% in the subgroup of 83 patients, which included one stringent complete response, no complete responses, four very good partial responses and 16 partial responses. The median time to first response for these patients was 4 weeks and the median duration of response was 3.8 months.

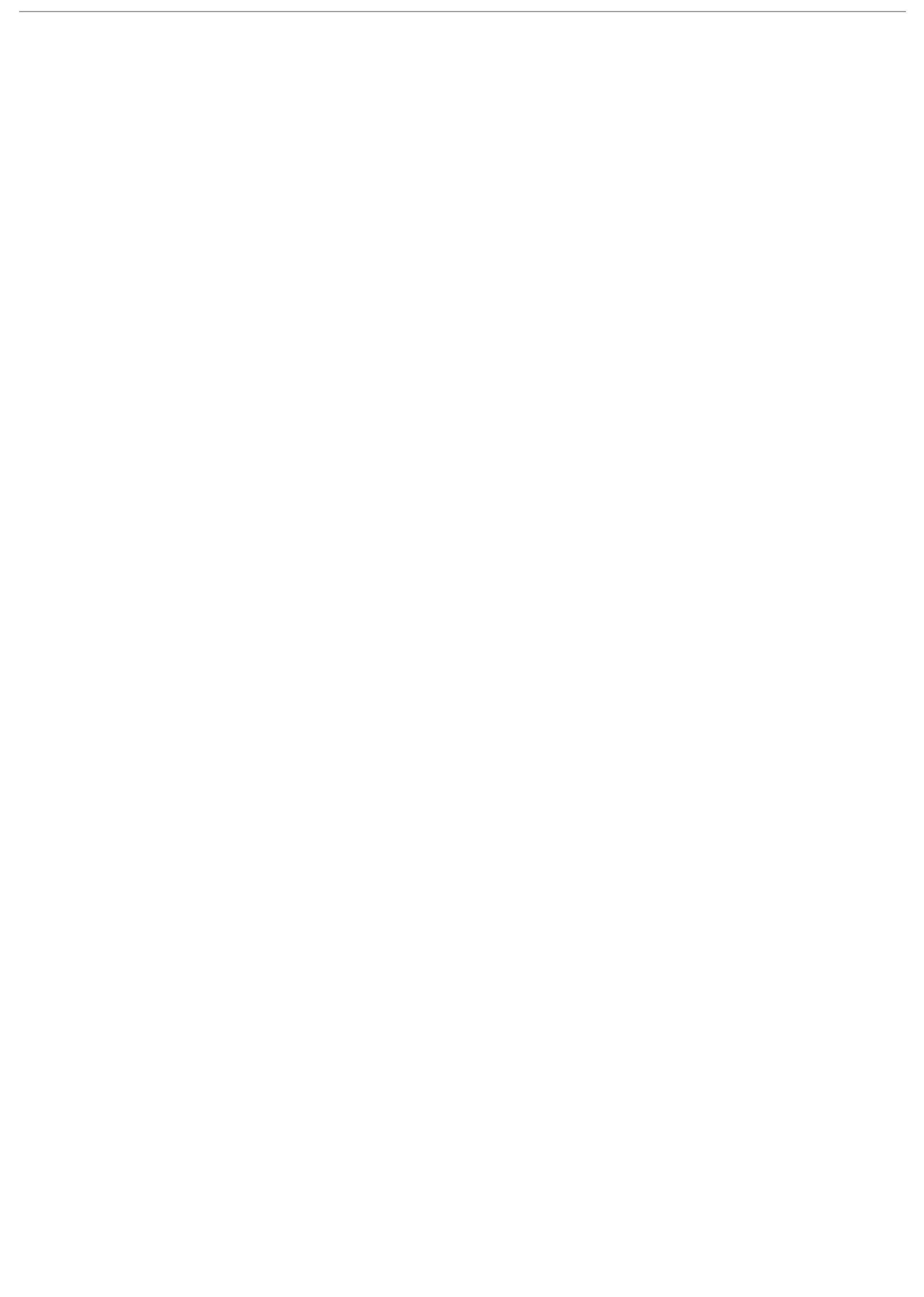
Amongst the 202 patients enrolled in STORM Parts 1 and 2 who were treated with XPOVIO (80 mg) in combination with dexamethasone (20 mg) on days 1 and 3 weekly, the most common adverse reactions (incidence  $\geq 20\%$ ) were thrombocytopenia, fatigue, nausea, anemia, decreased appetite, decreased weight, diarrhea, vomiting, hyponatremia, neutropenia, leukopenia, constipation, dyspnea, and upper respiratory tract infections. The treatment discontinuation rate due to adverse reactions was 27%; 53% of patients had a reduction in the XPOVIO dose, and 65.3% had the dose of XPOVIO interrupted. The most frequent adverse reactions requiring permanent discontinuation in 4% or greater of patients who received XPOVIO included fatigue, nausea, and thrombocytopenia. The rate of fatal adverse reactions was 8.9%. Following accelerated approval by the FDA, XPOVIO became commercially available in the United States in July 2019.

In addition, we submitted a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) in January 2019 with a request for conditional approval of selinexor as a treatment for patients with heavily pretreated multiple myeloma based on the results of the STORM study. As a customary part of the MAA review process, we received the consolidated list of questions from EMA in early May 2019 and received additional feedback, including the integrated inspection report, based on routine site audits and other activities. We promptly addressed the questions and feedback with EMA, and the evaluation process of our MAA is ongoing. We expect to receive a decision on the application by the end of 2019 or early 2020.

We plan to seek additional approvals for the use of selinexor in combination therapies to expand the patient populations that are eligible for selinexor, as well as to move selinexor towards front-line cancer therapy. We are also advancing the clinical development of selinexor in multiple solid tumor indications. Oral selinexor is being evaluated in company- and investigator-sponsored clinical trials in advanced hematologic malignancies and solid tumors. Clinical trials evaluating selinexor include the Phase 1b/2 STOMP (**S**elinexor and Backbone **T**reatments **o**f **M**ultiple Myeloma **P**atients) study in combination with standard therapies in multiple myeloma, the Phase 2b SADAL (**S**elinexor **A**gainst **D**iffuse **A**ggressive **L**ymphoma) study in diffuse large B-cell lymphoma (DLBCL), the pivotal, randomized Phase 3 BOSTON study in multiple myeloma, the Phase 2/3 SEAL (**S**elinexor in **A**dvanced **L**iposarcoma) study in liposarcoma and the Phase 3 SIENDO (**S**elinexor/Placebo After Combination Chemotherapy **I**n Patients with advanced or recurrent **E**NDOMETRIAL cancer) study. During 2018 and 2019, in addition to the results from the STORM study, we reported positive top-line data from the SADAL study, as well as new or updated interim data for the STOMP and SEAL studies.

Based on the positive results of the SADAL study, we plan to submit a New Drug Application (NDA) to the FDA with a request for accelerated approval for selinexor as a new treatment for patients with relapsed and/or refractory DLBCL after at least two prior multi-agent therapies and who are ineligible for stem cell transplantation (high dose chemotherapy with stem cell rescue), including chimeric antigen receptor modified T (CAR-T) cell therapy. In November 2018, the FDA granted fast track designation to selinexor for the treatment of patients that have relapsed and/or refractory DLBCL after at least two prior multi-agent therapies and who are ineligible for transplantation, including high dose chemotherapy with stem cell rescue. We also plan to submit a MAA to the EMA with a request for conditional approval. We anticipate filing the NDA and MAA between the fourth quarter of 2019 and first quarter of 2020.

As of June 30, 2019, we had an accumulated deficit of \$783.3 million. We had net losses of \$43.4 million and \$33.7 million for the three months ended June 30, 2019 and 2018, respectively, and net losses of \$109.6 million and \$72.1 million for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, we had not generated any revenue from the sales of any drugs, as XPOVIO first became commercially available in the United States in July 2019.



**CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES**

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as “critical” because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

There were no changes to the critical accounting policies we identified in the 2018 Form 10-K. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies disclosed in the 2018 Form 10-K.

**RESULTS OF OPERATIONS****Comparison of the Three Months Ended June 30, 2019 and June 30, 2018**

	Three Months Ended June 30,		\$ Change	% Change
	2019	2018		
	(in thousands)			
License and other revenue	\$ 9,493	\$ 19,891	\$(10,398)	(52.3)%
Operating expenses:				
Research and development	26,517	44,734	(18,217)	(40.7)%
General and administrative	24,662	9,489	15,173	159.9%
Loss from operations	(41,686)	(34,332)	(7,354)	21.4%
Other (expense) income, net	(1,721)	660	(2,381)	(360.8)%
Loss before income taxes	(43,407)	(33,672)	(9,735)	28.9%
Income tax (provision) benefit	(8)	17	(25)	(147.1)%
Net loss	<u>\$ (43,415)</u>	<u>\$ (33,655)</u>	<u>\$ (9,760)</u>	<u>29.0%</u>

*License and Other Revenue.* We recognized \$9.4 million in revenue during the three months ended June 30, 2019 pursuant to a license arrangement with Antengene Therapeutics Limited and \$0.1 million in revenue for clinical supply provided to various partners, as well as grant revenue pursuant to a government grant arrangement. During the three months ended June 30, 2018, we recognized \$19.9 million in revenue primarily as a result of a license arrangement with Ono Pharmaceutical Co., Ltd.

*Research and Development Expense.* Research and development expense decreased approximately \$18.2 million to \$26.5 million for the three months ended June 30, 2019 from approximately \$44.7 million for the three months ended June 30, 2018. The decrease is primarily related to:

- a decrease of \$9.4 million in personnel costs and consulting and professional expense;
- a decrease of \$8.0 million in clinical trial costs, primarily related to the selinexor program;
- a decrease of \$0.8 million in miscellaneous costs; and
- a decrease of \$0.3 million in travel costs; offset by
- an increase of \$0.3 million in facility costs and IT infrastructure costs.

We expect our research and development expenses to decrease in 2019 as compared with 2018 as we moderate our spending on our development programs and clinical trials, while continuing clinical development of selinexor in our lead indications with a focus on regulatory submissions for selinexor.

*General and Administrative Expense.* General and administrative expense increased approximately \$15.2 million to \$24.7 million for the three months ended June 30, 2019 from approximately \$9.5 million for the three months ended June 30, 2018. The increase is primarily related to:

- an increase of \$10.3 million in personnel costs, primarily due to increased headcount and related onboarding costs associated with building our commercial team in preparation for the U.S. commercial launch of XPOVIO;
- an increase of \$2.4 million in commercial related activities;
- an increase of \$1.8 million in facility costs and IT infrastructure costs; and



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- an increase of \$1.4 million in costs related to corporate training, travel and corporate events; offset by
- a decrease of \$0.5 million in consulting and professional costs; and
- a decrease of \$0.2 million in miscellaneous costs.

We expect our general and administrative expenses to remain consistent for the remainder of 2019 to support our expanding operating and commercial activities, particularly following the accelerated approval of XPOVIO™ by the FDA on July 3, 2019 and commercial launch shortly thereafter.

*Other Income (Expense), net.* Other (expense) income, net decreased from \$0.7 million of other income, net for the three months ended June 30, 2018 to \$1.7 million of other expense, net for the three months ended June 30, 2019. The decrease is primarily due to \$3.1 million of interest expense related to the issuance of our 3.00% convertible senior notes due 2025 (Notes) in October 2018, offset by a \$0.8 million increase in interest income due to increased returns resulting from a general increase in interest rates and higher investment balances.

### Comparison of the Six Months Ended June 30, 2019 and June 30, 2018

	Six Months Ended June 30,		\$ Change	% Change
	2019	2018		
	(in thousands)			
License and other revenue	\$ 9,648	\$ 29,891	\$(20,243)	(67.7)%
Operating expenses:				
Research and development	64,491	86,055	(21,564)	(25.1)%
General and administrative	51,765	17,110	34,655	202.5%
Loss from operations	(106,608)	(73,274)	(33,334)	45.5%
Other (expense) income, net	(2,950)	1,155	(4,105)	(355.4)%
Loss before income taxes	(109,558)	(72,119)	(37,439)	51.9%
Income tax (provision) benefit	(18)	5	(23)	(460.0)%
Net loss	<u>\$(109,576)</u>	<u>\$(72,114)</u>	<u>\$(37,462)</u>	<u>51.9%</u>

*License and Other Revenue.* During the six months ended June 30, 2019, we recognized \$9.4 million in revenue pursuant to a license arrangement with Antengene Therapeutics Limited and \$0.2 million in revenue for clinical supply provided to various partners, as well as grant revenue pursuant to a government grant arrangement. During the six months ended June 30, 2018, we recognized \$10.0 million in revenue pursuant to an asset purchase agreement with Biogen MA Inc. for the sale of KPT-350 and \$19.9 million in revenue primarily as a result of a license arrangement with Ono Pharmaceutical Co., Ltd.

*Research and Development Expense.* Research and development expense decreased approximately \$21.6 million to \$64.5 million for the six months ended June 30, 2019 from approximately \$86.1 million for the six months ended June 30, 2018. The decrease is primarily related to:

- a decrease of \$11.0 million in clinical trial costs, primarily related to the selinexor program;
- a decrease of \$10.1 million in personnel costs and consulting and professional expense; and
- a decrease of \$1.2 million in miscellaneous costs; offset by
- an increase of \$0.7 million in facility costs and IT infrastructure costs.

*General and Administrative Expense.* General and administrative expense increased approximately \$34.7 million to \$51.8 million for the six months ended June 30, 2019 from approximately \$17.1 million for the six months ended June 30, 2018. The increase is primarily related to:

- an increase of \$21.3 million in personnel costs, primarily due to increased headcount and related onboarding costs associated with building our commercial team in preparation for the U.S. commercial launch of XPOVIO;
- an increase of \$6.4 million in commercial related activities;
- an increase of \$3.9 million in costs related to corporate training, travel and corporate events;
- an increase of \$3.3 million in facility costs and IT infrastructure costs; and
- an increase of \$0.7 million in consulting and professional costs; offset by



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- a decrease of \$0.9 million in miscellaneous costs.

*Other Income (Expense), net.* Other (expense) income, net decreased from \$1.2 million of other income, net for the six months ended June 30, 2018 to \$3.0 million of other expense, net for the six months ended June 30, 2019. The decrease is primarily due to \$6.1 million of interest expense related to the issuance of the Notes in October 2018, offset by a \$2.0 million increase in interest income due to increased returns resulting from a general increase in interest rates and higher investment balances.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Sources of Liquidity**

As of June 30, 2019, we had not generated revenues from drug sales as XPOVIO first became commercially available in the United States in July 2019. We have financed our operations to date principally through private placements of our preferred stock, proceeds from our initial public offering and follow-on offerings of common stock, issuance of convertible debt and cash generated from our business development activities.

As of June 30, 2019, we had \$217.2 million in cash, cash equivalents and investments compared to \$330.2 million in cash, cash equivalents and investments as of December 31, 2018.

On October 16, 2018, we completed an offering of \$150.0 million aggregate principal amount of the Notes. In addition, on October 26, 2018, we issued an additional \$22.5 million aggregate principal amount of the Notes pursuant to the full exercise of the option to purchase additional Notes granted to the initial purchasers in the offering. The Notes were sold in a private offering to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the sale of the Notes was \$166.9 million, after deducting the initial purchasers' discounts and commissions and actual offering expenses payable by us.

In August 2018, we entered into an open market sale agreement (Open Market Sale Agreement) with Jefferies LLC, as agent, relating to an "at the market offering", pursuant to which we may issue and sell shares of our common stock, having an aggregate offering price of up to \$75.0 million. As of July 31, 2019, we had sold an aggregate of 1,037,794 shares under the Open Market Sale Agreement, for net proceeds of approximately \$9.2 million, all of which were sold in July 2019.

On May 7, 2018, we completed a follow-on offering under our shelf registration statement on Form S-3 (File No. 333-222726) pursuant to which we issued an aggregate of 10,525,424 shares of common stock, which included the full exercise of the underwriters' option to purchase additional shares, at a public offering price of \$14.75 per share. We received aggregate net proceeds of approximately \$145.7 million from the offering after deducting the underwriting discounts and commissions and other offering expenses.

During the years ended December 31, 2018 and 2017, we received \$44.6 million in upfront payments under our arrangements with Anivive Lifesciences, Inc., Ono Pharmaceutical Co., Ltd., Biogen MA Inc., and Antengene Therapeutics Limited, pursuant to which we are also entitled to receive milestone payments, if certain development goals and sales milestones are achieved, as well as royalties on future net sales of the licensed and sold products in the territories under such arrangements.

At June 30, 2019, we had \$217.2 million in cash, cash equivalents and investments. We have had recurring losses and incurred a loss of \$109.6 million for the six months ended June 30, 2019. Net cash used in operations for the six months ended June 30, 2019 was \$114.8 million. We expect that cash, cash equivalents and investments at June 30, 2019 will be sufficient to fund our current operating plans and capital expenditure requirements for at least twelve months from the date of issuance of the financial statements contained in this Form 10-Q, during which time we plan to enhance and support the commercial infrastructure for the sale of XPOVIO in the United States that began in July 2019.

In July 2019, the FDA approved XPOVIO in combination with dexamethasone for the treatment of adult patients with RRMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. This indication is approved under accelerated approval based on response rate. Following accelerated approval by the FDA, XPOVIO became commercially available in the United States in July 2019.



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### Cash Flows

The following table provides information regarding our cash flows:

	Six Months Ended	
	June 30,	
	2019	2018
	(in thousands)	
Net cash used in operating activities	\$(114,827)	\$(72,280)
Net cash provided by (used in) investing activities	71,794	(25,120)
Net cash provided by financing activities	547	147,561
Effect of exchange rate changes	9	(44)
Net decrease in cash, cash equivalents and restricted cash	\$ 42,477	\$ 50,117

*Operating activities.* The net cash used in operating activities in both periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The increase in cash used in operating activities during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, was primarily driven by our increased loss from operations during that period.

*Investing activities.* The net cash provided by (used in) investing activities during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily reflects an increase in maturity of investments of \$67.9 million and a decrease in purchases of \$28.3 million.

*Financing activities.* The net cash provided by financing activities for the six months ended June 30, 2019, compared to the six months ended June 30, 2018, reflects a decrease of \$147.0 million primarily related to the net proceeds of \$145.7 million from our follow-on offering in May 2018.

### Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we commercialize XPOVIO, continue the clinical trials of, and as we seek marketing approval for our other drug candidates. In addition, we expect to incur significant commercialization expenses related to sales, marketing, manufacturing and distribution of any of our drug candidates for which we obtain marketing approval, to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time for any such drug. Furthermore, we expect to continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

Our future capital requirements will depend on many factors, including:

- revenue generated from commercial sales of XPOVIO;
- costs related to the sales and marketing of XPOVIO;
- the costs, timing and outcome of regulatory review of our drug candidates;
- the costs of future commercialization activities, including drug sales, marketing, manufacturing and distribution, for any of our drug candidates for which we receive marketing approval, to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time;
- the amount of revenue received from commercial sales of our drug candidates for which we receive marketing approval;
- the progress and results of our current and planned clinical trials of selinexor;
- the scope, progress, results and costs of drug discovery, preclinical development, laboratory testing and clinical trials for our other drug candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the success of any collaborations that we may enter into with third parties;
- the extent to which we acquire or in-license other drugs and technologies;



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- the costs associated with legal activities, including litigation, arising in the course of business activities and our ability to prevail in any such legal disputes; and
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

Identifying potential drug candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete. In addition, our drug candidates for which we receive marketing approval may not achieve commercial success. Our ability to become and remain profitable depends on our ability to generate revenue. While we began to generate revenue from the sales of XPOVIO in July 2019, there can be no assurance as to the amount or timing of any such revenue, and we may not achieve profitability for several years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

### **Contractual Obligations**

As of June 30, 2019, there have been no material changes to our contractual obligations described in Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2018 Form 10-K.

### **OFF-BALANCE SHEET ARRANGEMENTS**

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents, restricted cash and investments of \$217.9 million as of June 30, 2019. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our investment portfolio.

We do not believe our cash, cash equivalents, restricted cash and investments have significant risk of default or illiquidity. While we believe our cash, cash equivalents and investments do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in securities at one or more financial institutions that are in excess of federally insured limits. Given the potential instability of financial institutions, we cannot provide assurance that we will not experience losses on these deposits and investments.

We are also exposed to market risk related to change in foreign currency exchange rates. We contract with contract research organizations and contract manufacturing organizations that are located in Canada and Europe, which are denominated in foreign currencies. We also contract with a number of clinical trial sites outside the United States, and our budgets for those studies are frequently denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign currency exchange rate risk.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Senior Vice President, Chief Financial Officer and Treasurer (principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated,



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can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2019, our Chief Executive Officer and our Senior Vice President, Chief Financial Officer and Treasurer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Changes in Internal Control Over Financial Reporting**

No change in our internal control over financial reporting occurred during the fiscal quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

On July 23, 2019, a class action complaint was filed in the U.S. District Court for the District of Massachusetts against us and certain of our current and former executive officers and directors as well as the underwriters of our public offerings of common stock conducted in April 2017 and May 2018. The complaint alleges violations of federal securities laws based on our disclosures related to the results from the Phase 2 SOPRA study and Part 2 of the Phase 2b STORM study. The complaint seeks unspecified compensatory damages, including interest; reasonable costs and expenses, including attorneys' and expert fees; unspecified recessionary damages; and such equitable/injunctive relief or other relief as the court may deem just and proper. We have reviewed the allegations and believe the lawsuit is without merit. We intend to defend vigorously against the lawsuit.

### **Item 1A. Risk Factors.**

*Careful consideration should be given to the following risk factors, in addition to the other information set forth in this Quarterly Report on Form 10-Q and in other documents that we file with the SEC, in evaluating the Company and our business. Investing in our common stock involves a high degree of risk. If any of the following risks and uncertainties actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected. The risks described below are not intended to be exhaustive and are not the only risks facing the Company. New risk factors can emerge from time to time, and it is not possible to predict the impact that any factor or combination of factors may have on our business, prospects, financial condition and results of operations.*

### **Risks Related to the Discovery, Development and Commercialization of Our Drugs and Drug Candidates**

***We depend heavily on the success of XPOVIO<sup>TM</sup> (selinexor) and our lead drug candidate selinexor . If we are unable to successfully commercialize XPOVIO or successfully develop selinexor for additional indications, or if we experience significant delays in doing so, our business will be materially harmed.***

We have invested a significant portion of our efforts and financial resources in the research and development of our lead drug candidate, selinexor. Our ability to generate revenues from the sale of drugs that treat cancer and other diseases in humans will depend heavily on the successful development, regulatory approval and commercialization of selinexor. On July 3, 2019, the U.S. Food and Drug Administration, or FDA, granted accelerated approval for XPOVIO in combination with dexamethasone for the treatment of adult patients with relapsed or refractory multiple myeloma (RRMM) who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. Our ability to generate product revenues will depend on our successful commercialization of XPOVIO and our obtaining additional marketing approvals for, and successfully commercializing, selinexor for additional indications.

The success of XPOVIO, selinexor and our other drug candidates will depend on several factors, including the following:

- successful commercialization of XPOVIO in the United States, including establishing sales, marketing and distribution capabilities for XPOVIO;
- the consistency of any new data we collect and analyses we conduct with prior results, whether they support a favorable safety, efficacy and effectiveness profile of XPOVIO and any potential impact on our FDA accelerated approval and/or FDA package insert for XPOVIO;
- our ability to comply with FDA post-marketing requirements and commitments, including through successfully conducting additional studies that confirm clinical efficacy, effectiveness and safety of XPOVIO and acceptance of the same by the FDA and medical community since continued approval for this indication may be contingent upon verification of a clinical benefit in confirmatory trials;



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- acceptance of XPOVIO and, if and when approved, our drug candidates by patients, the medical community and third-party payors;
- obtaining and maintaining coverage, adequate pricing and adequate reimbursement by third-party payors, including government payors, for XPOVIO and our drug candidates;
- successful completion of preclinical studies;
- acceptance by the FDA of investigational new drug applications, or INDs, for our drug candidates prior to commencing clinical studies;
- successful enrollment in, and completion of, clinical trials, including demonstration of a favorable risk-benefit ratio;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our drug candidates;
- establishing sales, marketing, manufacturing and distribution capabilities to commercialize any drug candidates for which we may obtain marketing approval, whether alone or in collaboration with others;
- launching commercial sales of any drug candidates for which we obtain marketing approval, whether alone or in collaboration with others;
- effectively competing with other therapies;
- maintaining an acceptable safety profile of the drugs following approval;
- enforcing and defending intellectual property rights and claims; and
- maintaining and growing an organization of scientists and business people, including collaborators, who can develop and commercialize our drug candidates.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize XPOVIO or our drug candidates, which would materially harm our business.

***The results of previous clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities.***

Clinical failure can occur at any stage of clinical development. Clinical trials may produce negative or inconclusive results, and we or any collaborators may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our drug candidates are safe and effective for use in a diverse population before we can seek regulatory approvals for their commercial sale. Success in early-stage clinical trials does not mean that future larger registration clinical trials will be successful because drug candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities despite having progressed through early-stage clinical trials. Drug candidates that have shown promising results in early-stage clinical trials may still suffer significant setbacks in subsequent registration clinical trials. Additionally, the outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later-stage clinical trials, and interim results of a clinical trial are not necessarily indicative of final results.

In addition, the design of a clinical trial can determine whether its results will support approval of a drug, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. We may be unable to design and conduct a clinical trial to support regulatory approval. Further, if our drug candidates are found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for them and our business would be harmed. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We do not know whether any Phase 2, Phase 3 or other clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain regulatory approval to market our drug candidates.



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Further, our drug candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or other registration trials. The FDA or non-U.S. regulatory authorities may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a drug candidate even after providing a positive opinion on, or otherwise reviewing and providing comments or advice on, a protocol for a clinical trial that has the potential to result in approval by the FDA or another regulatory authority. In addition, any of these regulatory authorities may also approve a drug candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. Furthermore, the FDA or non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our drug candidates.

To date, we have had several discussions with the FDA and non-U.S. regulatory authorities regarding the design of our later phase clinical trials for selinexor, including the BOSTON, STORM, SADAL and SEAL studies. In July 2019, the FDA approved, under accelerated approval based on response rate, XPOVIO in combination with dexamethasone for the treatment of adult patients with RRMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. We plan to seek additional regulatory approvals of selinexor in North America and Europe in each indication with respect to which such later phase clinical trial is being conducted and with respect to which we receive positive results that may support full or accelerated approval, as the case may be. We or our current or future partners may also seek such approvals in other geographies. We cannot be certain that we will commence additional later phase trials or complete ongoing later phase trials as anticipated. Before obtaining regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate with substantial evidence gathered in preclinical studies and well-controlled clinical studies, and, with respect to approval in the United States, to the satisfaction of the FDA, that the drug candidate is safe and effective for use for that target indication. There is no assurance that the FDA or non-U.S. regulatory authorities would consider our current and planned later phase clinical trials to be sufficient to serve as the basis for filing for approval or to gain approval of selinexor for any indication. The FDA and non-U.S. regulatory authorities retain broad discretion in evaluating the results of our clinical trials and in determining whether the results demonstrate that selinexor is safe and effective. If we are required to conduct additional clinical trials of selinexor prior to approval, including additional earlier phase clinical trials that may be required prior to commencing any later phase clinical trials, or additional clinical trials following completion of our current and planned later phase clinical trials, we will need substantial additional funds, and there is no assurance that the results of any such additional clinical trials will be sufficient for approval.

The results to date in preclinical and early clinical studies conducted by us or our academic collaborators and in Phase 1 and Phase 2 clinical trials that we are currently conducting include the response of tumors to selinexor. We expect that in any later phase clinical trial where patients are randomized to receive either selinexor on the one hand, or standard of care, supportive care or placebo on the other hand, the primary endpoint will be either progression free survival, meaning the length of time on treatment until objective tumor progression, or overall survival, while the primary endpoint in any later phase clinical trial that is not similarly randomized may be different. For example, the primary endpoint of our Phase 2/3 SEAL study, the clinical trial of selinexor in patients with dedifferentiated liposarcoma, and a primary endpoint of our Phase 3 BOSTON study, the clinical trial of selinexor in combination with Velcade (bortezomib) and dexamethasone in patients with multiple myeloma, is progression free survival. In some instances, the FDA and other regulatory bodies have accepted overall response rate as a surrogate for a clinical benefit and have granted regulatory approvals based on this or other surrogate endpoints. Overall response rate is defined as the portion of patients with tumor size reduction of a predefined amount for a minimum time period. For some types of cancer, we may use overall response rate as a primary endpoint, as we did in our SADAL study and our STORM study. These clinical trials will not be randomized against control arms and the primary endpoints of these trials are overall response rate. If selinexor does not demonstrate sufficient overall response rates in these indications, or any other indication for which a clinical trial has overall response rate as a primary endpoint, or if the FDA or non-U.S. regulatory authorities do not deem overall response rate a sufficient endpoint, or deem a positive overall response rate to be insufficient, it will likely not be approved for that indication based on the applicable study.

### ***We may not be successful in our efforts to identify or discover additional potential drug candidates.***

Part of our strategy involves identifying and developing drug candidates to build a pipeline of novel drug candidates. Our drug discovery efforts may not be successful in identifying compounds that are useful in treating cancer or other diseases. Our research programs may initially show promise in identifying potential drug candidates, yet fail to yield drug candidates for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential drug candidates;
- potential drug candidates may, on further study, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be drugs that will receive marketing approval and/or achieve market acceptance; or
- potential drug candidates may not be effective in treating their targeted diseases.



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Research programs to identify new drug candidates require substantial technical, financial and human resources. We may choose to focus our efforts and resources on a potential drug candidate that ultimately proves to be unsuccessful.

If we are unable to identify suitable compounds for preclinical and clinical development, we will not be able to obtain revenues from sale of drugs in future periods, which likely would result in significant harm to our financial position and adversely impact our stock price.

***Clinical drug development is a lengthy and expensive process, with an uncertain outcome. If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such drug candidates.***

Before obtaining marketing approval from regulatory authorities for the sale of our drug candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later stage clinical trials, and interim results of a clinical trial do not necessarily predict final results. For example, certain data from our Phase 1 and Phase 2 clinical trials of selinexor to date are based on unaudited data provided by our clinical trial investigators. An audit of this data may change the conclusions drawn from this unaudited data provided by our clinical trial investigators indicating less promising results than we currently anticipate. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their drug candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drug candidates. Furthermore, the failure of any drug candidates to demonstrate safety and efficacy in any clinical trial could negatively impact the perception of our other drug candidates and/or cause the FDA or other regulatory authorities to require additional testing before any of our drug candidates are approved.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our drug candidates, including:

- regulatory authorities or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- feedback from regulatory authorities that requires us to modify the design of our clinical trials;
- we may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites or contract research organizations;
- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulatory authorities may require us, to conduct additional clinical trials, suspend ongoing clinical trials or abandon drug development programs;
- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors, including those manufacturing our drug candidates or conducting clinical trials on our behalf, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we or our investigators might have to suspend or terminate clinical trials of our drug candidates for various reasons, including non-compliance with regulatory requirements, a finding that our drug candidates have undesirable side effects or other unexpected characteristics, or a finding that the participants are being exposed to unacceptable health risks;
- regulators may recommend or require us to perform additional or unanticipated clinical trials to obtain approval;
- regulators may revise the requirements for approving our drug candidates, or such requirements may not be as we anticipate;
- the cost of clinical trials of our drug candidates may be greater than we anticipate;
- the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate;
- regulators may revise the requirements for approving our drug candidates, or such requirements may not be as we anticipate; and



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- any partners and collaborators that help conduct clinical trials may face any of the above issues, and may conduct clinical trials in ways they view as advantageous to them but that are suboptimal for us.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our drug candidates;
- not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the drug removed from the market after obtaining marketing approval.

Our drug development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our drug candidates, allow our competitors to bring drugs to market before we do or impair our ability to successfully commercialize our drug candidates, which would harm our business and results of operations. In addition, many of the factors that cause, or lead to, clinical trial delays may ultimately lead to the denial of regulatory approval of our drug candidates.

***If we experience delays or difficulties in the enrollment of patients in clinical trials, or we are otherwise delayed in our ability to conduct clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.***

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside of the United States. In addition, some of our competitors may have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' drug candidates.

Patient enrollment is affected by other factors, including:

- severity of the disease under investigation;
- availability and efficacy of approved drugs for the disease under investigation;
- patient eligibility criteria for the study in question;
- competing drugs in clinical development;
- perceived risks and benefits of the drug candidate under study;
- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment; and
- proximity and availability of clinical trial sites for prospective patients.

In addition, patient enrollment may be affected by future regulatory actions, such as Form 483 observations or the partial clinical hold we were subject to previously. In February 2017, following the conclusion of a joint inspection conducted by the FDA and Danish Medicines Agency at our corporate headquarters, the FDA issued a Form 483 noting certain deficiencies in procedures and documentation that were identified in our selinexor development program. We implemented corrective actions, preventative actions and other initiatives directed at resolving the deficiencies identified in the Form 483 observations and provided the FDA with our responses to the Form 483 observations in February 2017.



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In addition, in March 2017, the FDA notified us that it had placed the clinical trials under our IND for selinexor on partial clinical hold, which is an order by the FDA to delay or suspend part of a sponsor's clinical work requested under its IND as well as investigator-sponsored trials. The partial clinical hold was due to incomplete information in the existing version of the investigator's brochure, including an incomplete list of serious adverse events, or SAEs, associated with selinexor, and not as a result of any new information regarding the safety profile of selinexor. The partial clinical holds on the clinical trials of selinexor were lifted by the FDA Division of Hematology Products (effective March 30, 2017), Division of Oncology Products 1 (effective April 5, 2017) and Division of Oncology Products 2 (effective March 31, 2017). However, if in the future we are delayed in addressing, or unable to address, any concerns of the FDA or other regulators, we could be delayed or prevented from enrolling patients in our clinical trials.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays, could require us to abandon one or more clinical trials altogether and could delay or prevent our receipt of necessary regulatory approvals. Enrollment delays in our clinical trials may result in increased development costs for our drug candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

***If serious adverse or unacceptable side effects are identified during the development of our drug candidates or we observe limited efficacy of our drug candidates, we may need to abandon or limit the development of one or more of our drug candidates or it could delay or prevent regulatory approval, limit commercial viability, or result in significant negative consequences following any marketing approval.***

Four of our drug candidates are in clinical development for treatment of human diseases. Their risk of failure is high. If XPOVIO or any of our drug candidates are associated with undesirable side effects or have characteristics that are unexpected in clinical trials or following approval and/or commercialization, we may need to abandon their development or limit development or marketing to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. For example, we have modified our informed consent form and advised patients already enrolled in our clinical trials of the potential for worsening of pre-existing cataracts as a result of treatment with selinexor. Adverse events, or AEs, in our clinical trials to date have been generally predictable and manageable, although some patients have experienced more serious AEs. The most common drug-related AEs were gastrointestinal, such as nausea, anorexia, diarrhea and vomiting, and fatigue. These side effects were generally mild or moderate in severity. The most common AEs that were Grade 3 or Grade 4, meaning they were more than mild or moderate in severity, were thrombocytopenia, or low count of platelets in the blood, and neutropenia, or low neutrophil counts. To date, the most common AEs have been managed with supportive care and dose modifications. However, a number of patients have withdrawn from our clinical trials as a result of AEs. For example, amongst the 202 patients enrolled in Parts 1 and 2 of the STORM study who were treated with selinexor in combination with dexamethasone, the most common AEs (incidence  $\geq 20\%$ ) were thrombocytopenia, fatigue, nausea, anemia, decreased appetite, decreased weight, diarrhea, vomiting, hyponatremia, neutropenia, leukopenia, constipation, dyspnea, and upper respiratory tract infections. The treatment discontinuation rate due to AEs was 27%; 53% of patients had a reduction in the selinexor dose, and 65.3% had the dose of selinexor interrupted. In this group of patients, the most frequent AEs requiring permanent discontinuation in 4% or greater of patients who received selinexor included fatigue, nausea, and thrombocytopenia. Similarly, in the SADAL study, as of April 3, 2019, among the 127 patients included in the safety analysis, the treatment discontinuation rate due to AEs was 13.5%; 49.6% of patients had a reduction in the selinexor dose, and 90.6% had the dose of selinexor interrupted or withheld with the most common AEs (incidence  $\geq 20\%$ ) being thrombocytopenia, nausea, fatigue, anemia, anorexia, diarrhea, constipation, weight loss, neutropenia, vomiting, pyrexia and asthenia. A small percentage of patients across our clinical trials have experienced SAEs deemed by us and the clinical investigator to be related to selinexor. SAEs generally refer to AEs that result in death, are life threatening, require hospitalization or prolonging of hospitalization, or cause a significant and permanent disruption of normal life functions, congenital anomalies or birth defects, or require intervention to prevent such an outcome.

These AEs and the resulting dose modification and/or treatment discontinuation rates or safety or toxicity issues that we may experience in our clinical trials in the future could result in a more restrictive label for any drug candidates approved for marketing or could result in the delay or denial of approval to market any drug candidates by the FDA or comparable foreign regulatory authorities, which could prevent us from ever generating revenue from the sale of drugs or achieving profitability. Results of our trials could reveal an unacceptably high severity and prevalence of side effects. In such an event, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our drug candidates for any or all targeted indications. Many compounds that initially showed promise in early-stage trials for treating cancer or other diseases have later been found to cause side effects that prevented further development of the compound. If such an event occurs after any of our drug candidates are approved and/or commercialized, a number of potentially significant negative consequences may result, including:

- regulatory authorities may withdraw the approval of such drug;
- regulatory authorities may require additional warnings on the label or impose distribution or use restrictions;
- regulatory authorities may require one or more postmarketing studies;
- regulatory authorities may withdraw the approval of such drug;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;



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- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected drug candidate, if approved, or could substantially increase commercialization costs and expenses, which could delay or prevent us from generating revenues from the sale of our drugs and harm our business and results of operations.

### ***The FDA or non-U.S. regulatory authorities may disagree with our and/or our clinical trial investigators' interpretation of data from clinical trials in determining if serious adverse or unacceptable side effects are drug-related.***

We, and our clinical trial investigators, currently determine if serious adverse or unacceptable side effects are drug-related. The FDA or non-U.S. regulatory authorities may disagree with our or our clinical trial investigators' interpretation of data from clinical trials and the conclusion by us or our clinical trial investigators that a serious adverse effect or unacceptable side effect was not drug-related. The FDA or non-U.S. regulatory authorities may require more information, including additional preclinical or clinical data to support approval, which may cause us to incur additional expenses, delay or prevent the approval of one of our drug candidates, and/or delay or cause us to change our commercialization plans, or we may decide to abandon the development or commercialization of the drug candidate altogether.

### ***We may expend our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we focus on research programs and drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. Our spending on current and future research and development programs and drug candidates for specific indications may not yield any commercially-viable drugs. If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate.

### ***XPOVIO or any of our drug candidates that receives marketing approval may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.***

XPOVIO or any of our drug candidates receives marketing approval may fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. Efforts to educate the medical community and third-party payors on the benefits of our drug candidates will require significant resources and may not be successful. For example, current cancer treatments like chemotherapy and radiation therapy are well-established in the medical community, and doctors may continue to rely on these treatments. If XPOVIO or our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenues from sales of drugs and we may not become profitable. The degree of market acceptance of XPOVIO and our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments;
- the ability to offer our drugs for sale at competitive prices;
- convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support;
- the timing of market introduction of competitive products;
- sufficient third-party coverage or reimbursement;
- effectiveness of our sales and marketing efforts;
- adverse publicity about our drugs or favorable publicity about competitive products;
- the prevalence and severity of any side effects;
- any restrictions on the use of our drugs together with other medications; and
- inability of certain types of patients to take our drugs.



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Our estimates of the potential market opportunities for XPOVIO and our drug candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and fail to accurately reflect market opportunities. While we believe that our internal assumptions are reasonable, these assumptions involve the exercise of significant judgment on the part of our management, are inherently uncertain and the reasonableness of these assumptions has not been assessed by an independent source. If any of our assumptions or estimates, or these publications, research, surveys or studies prove to be inaccurate, then the actual market for XPOVIO, selinexor or any other drug candidates may be smaller than we expect, and as a result our product revenue may be limited and it may be more difficult for us to achieve or maintain profitability.

***If we are unable to establish sales, marketing and distribution capabilities or maintain current agreements or enter into additional sales, marketing and distribution agreements with third parties, we may not be successful in commercializing XPOVIO or any of our drug candidates that we may develop if and when they are approved.***

We are in the process of establishing a sales and marketing infrastructure for XPOVIO, our first product, and our company does not have any prior experience in the sales, marketing or distribution of pharmaceutical drugs. To achieve commercial success for any approved drug for which sales and marketing is not the responsibility of any strategic collaborator that we have or may have in the future, we must either develop a sales, marketing and distribution organization or outsource these functions to other third parties. In the future, we may choose to build a sales, marketing and distribution infrastructure to market or co-promote one or more of our drug candidates, if and when they are approved, or enter into additional collaborations with respect to the sale, marketing and distribution of our drug candidates. We intend to work with existing and potential partners to establish the commercial infrastructure to support a potential launch of selinexor outside the United States.

There are risks involved with both establishing our own sales, marketing and distribution capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time-consuming and could delay any commercial launch of a drug candidate. Further, we may underestimate the size of the sales force required for a successful product launch and may need to expand our sales force earlier and at a higher cost than we anticipated. If the commercial launch of any of our drug candidates for which we establish a commercial infrastructure is delayed or does not occur for any reason, including if we do not receive marketing approval on the timeframe we expect, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize XPOVIO or any drug candidates for which we receive marketing approval on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future drugs;
- the lack of complementary drugs to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive drug lines;
- unforeseen costs and expenses associated with creating an independent sales, marketing and distribution organization; and
- inability to obtain sufficient coverage and reimbursement from third-party payors and governmental agencies.

Entering into arrangements with third parties to perform sales and marketing services may result in lower revenues from the sale of drug or the profitability of these revenues to us than if we were to market and sell any drugs that we develop ourselves. In addition, we may not be successful in maintaining current arrangements or entering into additional arrangements with third parties to sell, market and distribute XPOVIO or any of our drug candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our drugs effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing XPOVIO or any of our drug candidates for which we obtain marketing approval.

***We may not receive royalty or milestone revenue under our license agreements for several years, or at all.***

Our license agreements provide for payments on achievement of development and/or commercialization milestones and for royalties on product sales. However, because drug development entails a high risk of failure, we may never realize any material portion of the milestone revenue provided in our license agreements and we do not expect to receive any royalty revenue for several years, if at all.



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***We face substantial competition, which may result in others discovering, developing or commercializing drugs before or more successfully than we do.***

The discovery, development and commercialization of new drugs is highly competitive. We face competition with respect to XPOVIO and our drug candidates and will face competition with respect to any drug candidates that we may seek to discover and develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of major pharmaceutical, specialty pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer and the other disease indications for which we are developing our drug candidates, although we believe that to date, none of these competitive drugs and therapies currently in development are based on scientific approaches that are the same as our approach. Potential competitors also include academic institutions and governmental agencies and public and private research institutions.

We are initially focused on developing our current drug candidates for the treatment of cancer. There are a variety of available therapies marketed for cancer. In many cases, cancer drugs are administered in combination to enhance efficacy. Some of these drugs are branded and subject to patent protection, and others are available on a generic basis. Many of these approved drugs are well-established therapies and are widely accepted by physicians, patients and third-party payors. Insurers and other third-party payors may also encourage the use of generic drugs. We expect that any of our drug candidates that are approved will be priced at a significant premium over competitive generic drugs. This may make it difficult for us to achieve our business strategy of using our drug candidates in combination with existing therapies or replacing existing therapies with our drug candidates.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are more effective, safer, more convenient or less costly than any that we are developing or that would render our drug candidates obsolete or non-competitive. Our competitors may also obtain marketing approval from the FDA or other regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market or preventing us from entering into a particular indication at all.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or that may be necessary for, our programs.

***Even if we are able to commercialize XPOVIO or any drug candidate that we may develop, the drugs may not receive coverage or may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, all of which would harm our business.***

The legislation and regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or drug licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. In the United States, approval and reimbursement decisions are not linked directly, but there is increasing scrutiny from the Congress and regulatory authorities of the pricing of pharmaceutical products. As a result, we might obtain marketing approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the drug in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more drug candidates, even if our drug candidates obtain marketing approval.

Our ability to commercialize XPOVIO or any of our product candidates that we may develop successfully will depend, in part, on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. Obtaining and maintaining adequate reimbursement for XPOVIO and any of our product candidates, if approved, may be difficult. Moreover, the process for determining whether a third-party payor will provide coverage for a product may be separate from the process for setting the price of a product or for establishing the reimbursement rate that such a payor will pay for the product. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage and reimbursement for our products by third-party payors.



A primary trend in the healthcare industry in the United States and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Third-party payors may also seek, with respect to an approved product, additional clinical evidence that goes beyond the data required to obtain marketing approval. They may require such evidence to demonstrate clinical benefits and value in specific patient populations or they may call for costly pharmaceutical studies to justify coverage and reimbursement or the level of reimbursement relative to other therapies before covering our products. Accordingly, we cannot be sure that reimbursement will be available for XPOVIO and any drug candidate that we commercialize and, if reimbursement is available, we cannot be sure as to the level of reimbursement and whether it will be adequate. Coverage and reimbursement may impact the demand for, or the price of, XPOVIO or any drug candidate for which we obtain marketing approval. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize XPOVIO or any drug candidate for which we obtain marketing approval.

There may be significant delays in obtaining reimbursement for newly-approved drugs, and coverage may be more limited than the indications for which the drug is approved by the FDA or comparable regulatory authorities outside of the United States. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved drugs that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize drugs and our overall financial condition.

***Product liability lawsuits against us could divert our resources, cause us to incur substantial liabilities and to limit commercialization of XPOVIO and any other drugs that we may develop.***

We face an inherent risk of product liability exposure related to the testing of our drug candidates in human clinical trials. We face an even greater risk as we commercialize XPOVIO or any other drugs that we may develop. For example, we may be sued if any drug we develop allegedly causes injury or is found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against claims that our drug candidates or drugs caused injuries, we will incur substantial liabilities or be required to limit commercialization of our drug candidates. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for XPOVIO and any other drugs that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced resources of our management to pursue our business strategy; and
- the inability to successfully commercialize XPOVIO and any other drugs that we may develop.

We currently hold clinical trial and general product liability insurance coverage, but that coverage may not be adequate to cover any and all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.



***The business that we conduct outside the United States may be adversely affected by international risk and uncertainties.***

Although our operations are based in the United States, we conduct business outside the United States and expect to continue to do so in the future. For instance, many of the sites at which our clinical trials are being conducted are located outside the United States. In addition, we plan to seek approvals to sell our products in foreign countries. Any business that we conduct outside the United States will be subject to additional risks that may materially adversely affect our ability to conduct business in international markets, including:

- potentially reduced protection for intellectual property rights;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from a foreign market (with low or lower prices) rather than buying them locally;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, volatility in currency exchange rates or political instability in particular foreign economies and markets;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting a product candidate and/or finished drug product supply or manufacturing capabilities abroad;
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, hurricanes, typhoons, floods and fires; and
- failure to comply with Office of Foreign Asset Control rules and regulations and the Foreign Corrupt Practices Act, or FCPA.

**Risks Related to Our Financial Position, Convertible Senior Notes and Need for Additional Capital**

***We have incurred significant losses since inception. We expect to continue to incur losses in the future and may never achieve or maintain profitability.***

Since inception, we have incurred significant operating losses. Our net loss was \$109.6 million for the six months ended June 30, 2019. As of June 30, 2019, we had an accumulated deficit of \$783.3 million. As of June 30, 2019, we had not generated any revenue to date from sales of any drugs and have financed our operations to date principally through private placements of our preferred stock, proceeds from our initial public offering and follow-on offerings of common stock, issuance of convertible debt and cash generated from our business development activities. We have devoted substantially all of our efforts to research and development, including preclinical studies and clinical trials, pursuing regulatory approvals and engaging in activities to commercially launch our first FDA approved product, XPOVIO for the treatment of adult patients with RRMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. Other than the FDA's accelerated approval of XPOVIO, our lead drug candidate, oral selinexor, as well as verdinexor, eltanexor and KPT-9274, are in clinical development. Although we expect to generate revenue from sales of XPOVIO, there can be no assurance as to the amount or timing of any such revenue, and we expect to continue to incur significant expenses and operating losses. The net losses we incur may fluctuate significantly from quarter to quarter.

We anticipate that our expenses will continue to increase substantially as compared to prior periods as we continue to commercialize XPOVIO in the United States and engage in activities to prepare for the potential commercialization of our drug candidates, including due to the impact of increased headcount, to support our clinical and commercialization activities, expanded infrastructure and increased insurance premiums.

We anticipate that our expenses will increase substantially if and as we:

- continue to commercialize XPOVIO in the United States and seek regulatory approval for XPOVIO outside of the United States;
- continue to grow our sales, marketing and distribution infrastructure during the commercialization of XPOVIO and any drug candidates for which we may obtain marketing approval, prior to or upon receiving marketing approval;
- continue our research and preclinical and clinical development of our drug candidates;
- initiate additional clinical trials for our drug candidates;
- seek marketing approvals for any of our drug candidates that successfully complete clinical trials;



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- maintain, expand and protect our intellectual property portfolio;
- manufacture our drug candidates;
- hire additional clinical, quality control, scientific, commercial and management personnel;
- identify additional drug candidates;
- acquire or in-license other drugs and technologies;
- add operational, financial and management information systems and personnel, including personnel to support our drug development, any commercialization efforts and our other operations as a public company; and
- increase our product liability insurance coverage as we initiate and expand our commercialization efforts.

Our ability to become and remain profitable depends on our ability to commercialize a drug or drugs with significant market potential, either on our own or with a collaborator. While we began to generate revenue from the sales of XPOVIO in July 2019, there can be no assurance as to the amount or timing of any such revenue, and we may not achieve profitability for several years, if at all. This will require us to be successful in a range of challenging activities, including:

- successful launching of XPOVIO, including by further developing our sales force, marketing and distribution capabilities;
- achieving an adequate level of market acceptance and obtaining and maintaining coverage and adequate reimbursement from third-party payors for XPOVIO and any other drugs we commercialize;
- completing preclinical studies and clinical trials of our drug candidates;
- obtaining marketing approval for these drug candidates;
- manufacturing at commercial scale, marketing, selling and distributing XPOVIO or any drug candidates for which we may obtain marketing approval;
- maintaining regulatory and marketing approvals for XPOVIO and for any drug candidates for which we obtain marketing approval;
- establishing and managing any collaborations for the development, marketing and/or commercialization of our drug candidates;
- hiring and building a full commercial organization required for the marketing, selling and distribution for those drugs for which we obtain marketing approval; and
- obtaining, maintaining and protecting our intellectual property rights.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. Our expenses could increase if we are required by the FDA or other regulatory authorities to perform clinical trials and non-clinical studies in addition to those that have been conducted or are currently expected, or if there are any delays in the development of any of our drug candidates or the manufacture of any of our drug candidates.

XPOVIO is our only product that has been approved for sale and it has only been approved in the United States for the treatment of adult patients with RRMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. Our ability to become and remain profitable will depend, in part, on the timing and success of commercial sales of XPOVIO, which we commercially launched in the United States in July 2019. However, the successful commercialization of XPOVIO in the United States is subject to many risks. We are currently undertaking our first commercial launch with XPOVIO, and we may not be able to do so successfully. There are numerous examples of unsuccessful product launches and failures to meet expectations of market potential, including by pharmaceutical companies with more experience and resources than us. We do not anticipate our revenue from sales of XPOVIO alone will be sufficient for us to become profitable for several years, if at all.

We may never succeed in these activities and may never generate revenues that are significant or large enough to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business and/or continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.



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***The nature and length of our operating history may make it difficult for stockholders to evaluate the success of our business to date and to assess our future viability.***

We were incorporated in 2008 and commenced operations in 2009. Our operations to date have been limited to organizing and staffing our company, business planning, raising capital, developing our platform, identifying potential drug candidates, conducting preclinical studies and early-phase and later-phase clinical trials of our drug candidates and engaging in activities to prepare for the commercial launch of XPOVIO. We only recently launched XPOVIO and are still in the process of executing our commercial launch plan, have no history of commercializing products, and, to date, have not generated significant revenue from the sale of XPOVIO. Consequently, any predictions stockholders make about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, as a business with a short operating history, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

As we continue to build our business, we expect our financial condition and operating results may fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, stockholders should not rely upon the results of any particular quarterly or annual periods as indications of future operating performance.

***We will need substantial additional funding. If we are unable to raise capital when needed, we would be forced to delay, reduce or eliminate our research and drug development programs or commercialization efforts.***

We expect our expenses to increase in connection with our ongoing activities, particularly as we commercialize XPOVIO and continue the clinical trials of, and seek marketing approval and prepare for commercialization of, selinexor and our other drug candidates. Our expenses have increased as we have begun commercializing XPOVIO, including costs associated with our sales force and increased marketing and distribution capabilities. If we obtain marketing approval for any drug candidates that we develop, we expect to incur significant additional commercialization expenses for such drug candidate to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time for any such drug candidate. Furthermore, we will continue to incur additional costs associated with operating as a public company, hiring additional personnel and expanding our facilities. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and drug development programs or any future commercialization efforts.

We expect that our existing cash, cash equivalents and investments will enable us to fund our current operating and capital expenditure plans for at least twelve months from the date of issuance of the financial statements contained in this Form 10-Q. Our future capital requirements will depend on many factors, including:

- our ability to successfully commercialize and sell XPOVIO in the United States;
- the cost of, and our ability to expand and maintain, the commercial infrastructure required to support the commercialization of XPOVIO and any other drug for which we receive marketing approval, including product sales, medical affairs, marketing and distribution;
- the progress and results of our current and planned clinical trials of selinexor;
- the scope, progress, results and costs of drug discovery, preclinical development, laboratory testing and clinical trials for our other drug candidates;
- the costs, timing and outcome of regulatory review of our drug candidates, including whether any additional clinical trials or other activities are required for approval or label expansion;
- our ability to establish and maintain collaborations on favorable terms;
- the success of any collaborations that we have entered into and may enter into with third parties;
- the extent to which we acquire or in-license other drugs and technologies;
- the costs of commercialization activities, including drug sales, marketing, manufacturing and distribution, for any of our drug candidates for which we receive marketing approval, and pre-commercialization costs for our drug candidates incurred prior to receiving any such marketing approval, including the costs and timing of establishing product sales, marketing, manufacturing and distribution capabilities that are not the responsibility of any collaborator that we may have at such time;



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- the amount of revenue, if any, received from commercial sales of our drug candidates, assuming receipt of marketing approval;
- the terms and timing of any future collaborations, partnerships, licensing, marketing, distribution or other arrangements that we may establish; and
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

Identifying potential drug candidates, conducting preclinical studies and clinical trials, seeking marketing approvals and commercializing products are time-consuming, expensive and uncertain processes that take years to complete. Although we commercially launched XPOVIO in July 2019, we do not anticipate that our revenue from product sales of XPOVIO will be sufficient for us to become profitable for several years, if at all. In addition, we may never generate the necessary data or results required to obtain marketing approval of our drug candidates. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. Adequate additional financing may not be available to us on acceptable terms, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate development activities for one or more of our drug candidates or delay, limit, reduce or terminate our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize XPOVIO or our drug candidates for which we obtain marketing approval.

### ***Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our drug candidates.***

Until such time, if ever, as we can generate substantial revenues from the sale of drugs, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and/or licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through further collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our future revenue streams, research programs or drug candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our research and drug development or current or future commercialization efforts or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

### ***Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and stock price.***

Global credit and financial markets have experienced extreme disruptions over some of the past several years. Such disruptions have resulted, and could in the future result, in diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that any deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be compromised by economic downturns, a volatile business environment and unpredictable and unstable market conditions. If the equity and credit markets deteriorate, it may make any necessary equity or debt financing more difficult to secure, more costly or more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could harm our growth strategy, financial performance and stock price and could require us to delay or abandon plans with respect to our business, including clinical development plans. In addition, there is a risk that one or more of our current service providers, manufacturers or other third parties with which we conduct business may not survive difficult economic times, which could directly affect our ability to attain our operating goals on schedule and on budget.



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***Our indebtedness could limit cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the Notes.***

We incurred \$172.5 million of indebtedness as a result of the sale of the Notes. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Notes, and our cash needs may increase in the future.

***Servicing the Notes will require a significant amount of cash, and we may not have sufficient cash flow from our business to make payments on our indebtedness.***

Our ability to pay the principal of or interest and additional interest, if any, on the Notes or to make cash payments in connection with any conversion of the Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service the Notes or other future indebtedness and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the Notes or other future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including the Notes.

***We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash, to repurchase the Notes for cash upon a fundamental change, to pay the redemption price for any Notes we redeem or to refinance the Notes, and any future debt we incur may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.***

Holders may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest and additional interest, if any. In addition, upon conversion, unless we elect to deliver solely shares of our common stock to settle conversions (other than paying cash in lieu of delivering any fractional share), we must satisfy the conversion in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes, pay cash amounts due upon conversion or redemption of the Notes or refinance the Notes. In addition, our ability to repurchase the Notes, to pay cash upon conversion or redemption of the Notes or to refinance the Notes may be limited by law, regulatory authority or agreements governing any future indebtedness that we may incur. Our failure to repurchase notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversion of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness, if any. Moreover, the occurrence of a fundamental change under the indenture could constitute an event of default under any such agreements. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes.

***The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity.



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In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal amount of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

### ***The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.***

In May 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at the issuance date, and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report a larger net loss in our financial results because ASC 470-20 will require interest to include both the amortization of the debt discount and the instrument's coupon interest rate, which could adversely affect our future financial results, the market price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently eligible to be accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

Furthermore, if any of the conditions to the convertibility of the Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the Notes as a current, rather than a long-term, liability. This reclassification could be required even if no holders convert their Notes and could materially reduce our reported working capital.

### **Risks Related to Our Dependence on Third Parties**

***We depend on third parties for certain aspects of the development, marketing and/or commercialization of our drug candidates and plan to enter into additional collaborations. If those collaborations are not successful, we may not be able to capitalize on the market potential of these drug candidates.***

We intend to maintain our existing collaborations and will continue to seek additional third-party collaborators for certain aspects of the development, marketing and/or commercialization of our drug candidates. For example, we have entered into license arrangements with Ono Pharmaceutical Co., Ltd. and Antengene Therapeutics Limited, and plan to continue to seek to enter into additional license relationships, for marketing and commercialization of selinexor for other geographies outside the United States. In addition, we intend to seek one or more collaborators to aid in the further development, marketing and/or commercialization of our other SINE compounds for indications outside of oncology. Our likely collaborators for any collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In connection with any such arrangements with third parties, we will likely have limited control over the amount and timing of resources that our collaborators dedicate to the development, marketing and/or commercialization of our drug candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our drug candidates pose the following risks to us:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected or in compliance with applicable regulatory requirements;
- collaborators may not pursue development, marketing and/or commercialization of our drug candidates or may elect not to continue or renew development, marketing or commercialization programs based on clinical trial results, changes in the



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collaborator's strategic focus or available funding or external factors such as an acquisition that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drugs or drug candidates if the collaborators believe that competitive drugs are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- a collaborator with marketing and distribution rights to one or more drugs may not commit sufficient resources to the marketing and distribution of such drug or drugs;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of drug candidates, might lead to additional responsibilities for us with respect to drug candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our drugs or drug candidates or that result in costly litigation or arbitration that diverts management's attention and resources of our company;
- we may lose certain valuable rights under circumstances identified in any collaboration arrangement that we enter into, such as if we undergo a change of control;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development, marketing and/or commercialization of the applicable drug candidates;
- collaborators may learn about our discoveries and use this knowledge to compete with us in the future; and
- the number and type of our collaborations could adversely affect our attractiveness to collaborators or acquirers.

Collaboration agreements may not lead to development or commercialization of drug candidates in the most efficient manner, or at all. If our collaborations do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, we may not receive any future milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our product candidates could be delayed and we may need additional resources to develop product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this Quarterly Report on Form 10-Q also apply to the activities of our collaborators.

***If we are not able to maintain our existing collaborations or establish additional collaborations as we currently plan, we may have to alter our development and commercialization plans and our business could be adversely affected.***

Our drug development programs and the commercialization of our drug candidates for which we receive marketing approval will require substantial additional cash to fund expenses. As noted above, we expect to maintain our existing collaborations and collaborate with additional pharmaceutical and biotechnology companies for the development of our drug candidates and the commercialization of our drugs or the potential commercialization of our drug candidates.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside of the United States, the potential market for the subject drug candidate, the costs and complexities of manufacturing and delivering such drug candidate to patients, the potential of competing drugs, the existence of uncertainty with respect to our ownership of intellectual property, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider alternative drug candidates or technologies for similar indications



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that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our drug candidate.

We may also be restricted under then-existing collaboration agreements from entering into future agreements on certain terms with potential collaborators.

Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of such drug candidate, reduce or delay its development program or one or more of our other development programs, delay the commercialization of a drug or a drug candidate or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate revenue from sales of drugs.

***We rely on some third parties as we conduct our clinical trials and some aspects of our research and preclinical studies, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials, research or testing.***

We rely on some third parties, such as contract research organizations, clinical data management organizations, medical institutions and clinical investigators, as we conduct our clinical trials. We currently rely and expect to continue to rely on third parties to conduct some aspects of our research and preclinical studies. Any of these third parties may terminate their engagements with us at any time. If we need to enter into alternative arrangements, it would delay our drug development activities.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For example, we will remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. The European Medicines Agency, or EMA, also requires us to comply with comparable standards. We also are required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our drug candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our drug candidates. In such an event, our financial results and the commercial prospects for our drug candidates could be harmed, our costs could increase and our ability to generate revenues could be delayed, impaired or foreclosed.

We also expect to rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of such third parties could delay clinical development or marketing approval of our drug candidates or commercialization of our drugs, producing additional losses and depriving us of potential revenue from sales of drugs.

***We rely on third parties to conduct investigator-sponsored clinical trials of selinexor and our other drug candidates. Any failure by a third party to meet its obligations with respect to the clinical development of our drug candidates may delay or impair our ability to obtain regulatory approval for selinexor and our other drug candidates.***

We rely on academic and private non-academic institutions to conduct and sponsor clinical trials relating to selinexor and our other drug candidates. We do not control the design or conduct of the investigator-sponsored trials, and it is possible that the FDA or non-U.S. regulatory authorities will not view these investigator-sponsored trials as providing adequate support for future clinical trials, whether controlled by us or third parties, for any one or more reasons, including elements of the design or execution of the trials or safety concerns or other trial results.



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Such arrangements will provide us certain information rights with respect to the investigator-sponsored trials, including access to and the ability to use and reference the data, including for our own regulatory filings, resulting from the investigator-sponsored trials. However, we do not have control over the timing and reporting of the data from investigator-sponsored trials, nor do we own the data from the investigator-sponsored trials. If we are unable to confirm or replicate the results from the investigator-sponsored trials or if negative results are obtained, we would likely be further delayed or prevented from advancing further clinical development of our drug candidates. Further, if investigators or institutions breach their obligations with respect to the clinical development of our drug candidates, or if the data proves to be inadequate compared to the first-hand knowledge we might have gained had the investigator-sponsored trials been sponsored and conducted by us, then our ability to design and conduct any future clinical trials ourselves may be adversely affected.

Additionally, the FDA or non-U.S. regulatory authorities may disagree with the sufficiency of our right of reference to the preclinical, manufacturing or clinical data generated by these investigator-sponsored trials, or our interpretation of preclinical, manufacturing or clinical data from these investigator-sponsored trials. If so, the FDA or non-U.S. regulatory authorities may require us to obtain and submit additional preclinical, manufacturing, or clinical data before we may initiate our planned trials and/or may not accept such additional data as adequate to initiate our planned trials.

***We contract with third parties for the manufacture of our drug candidates for preclinical studies and clinical trials and expect to continue to do so in connection with the commercialization of XPOVIO and for clinical trials and commercialization of any drug candidates that we develop and commercialize. This reliance on third parties increases the risk that we will not have sufficient quantities of our drug candidates or drugs or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.***

We do not have any manufacturing facilities or personnel. We do not currently have nor do we plan to build internal infrastructure or capability to manufacture XPOVIO or our drug candidates for use in the conduct of our clinical trials or for commercial supply. We currently rely, and expect to continue to rely, on third-party manufacturers for the manufacture of our drug candidates for preclinical studies and clinical trials under the guidance of members of our organization. We have engaged third-party manufacturers for drug substance and drug product services. We do not have a long term supply agreement with any of these third-party manufacturers, and we purchase our required drug supplies on a purchase order basis.

We currently rely, and expect to continue to rely, on third-party manufacturers or third-party collaborators for the manufacture of commercial quantities of any drug candidate that we commercialize following marketing approval. Reliance on third-party manufacturers entails risks, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party;
- the possible failure of the third party to manufacture our drugs or drug candidates according to our schedule, or at all, including if the third-party manufacturer gives greater priority to the supply of other drugs over our drugs and drug candidates, or otherwise does not satisfactorily perform according to the terms of the manufacturing agreement;
- equipment malfunctions, power outages or other general disruptions experienced by our third-party manufacturers to their respective operations and other general problems with a multi-step manufacturing process;
- the possible misappropriation or disclosure by the third party or others of our proprietary information, including our trade secrets and know-how; and
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

We have engaged a third-party contract manufacturer for the commercial production of XPOVIO and intend to do the same for any drug candidate that is approved by any regulatory agency. This process is difficult and time consuming and we may face competition for access to manufacturing facilities, as there are a limited number of contract manufacturers operating under current Good Manufacturing Practices, or cGMPs, that are capable of manufacturing our drug candidates. Consequently, we may not be able to reach agreement with third-party manufacturers on satisfactory terms, which could delay our commercialization.

Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside of the United States. Facilities used by our third-party manufacturers must be inspected by the FDA after we submit an NDA and before potential approval of the drug candidate. Similar regulations apply to manufacturers of our drug candidates for use or sale in foreign countries. We do not control the manufacturing process and are completely dependent on our third-party manufacturers for compliance with the applicable regulatory requirements for the manufacture of our drug candidates. If our manufacturers cannot successfully manufacture material that conforms to the strict regulatory requirements of the FDA and any applicable foreign



regulatory authority, they will not be able to secure the applicable approval for their manufacturing facilities. If these facilities are not approved for commercial manufacture, we may need to find alternative manufacturing facilities, which could result in delays in obtaining approval for the applicable drug candidate as alternative qualified manufacturing facilities may not be available on a timely basis or at all. In addition, our manufacturers are subject to ongoing periodic unannounced inspections by the FDA and corresponding state and foreign agencies for compliance with cGMPs and similar regulatory requirements. Failure by any of our manufacturers to comply with applicable cGMPs or other regulatory requirements could result in sanctions being imposed on us or the contract manufacturer, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply and criminal prosecutions, any of which could significantly and adversely affect supplies of our drug candidates and have a material adverse impact on our business, financial condition and results of operations. Any drugs that we may develop may compete with other drug candidates and drugs for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

Any performance failure on the part of our existing or future manufacturers could delay clinical development, marketing approval or commercialization. If our current contract manufacturers cannot perform as agreed, we may be required to replace those manufacturers. Although we believe that there are several potential alternative manufacturers who could manufacture our drug candidates or drugs, we may incur added costs and delays in identifying and qualifying any such replacement.

Our current and anticipated future dependence upon others for the manufacture of XPOVIO or any drug candidates that we develop may adversely affect our future profit margins and our ability to commercialize any drugs that receive marketing approval on a timely and competitive basis.

### **Risks Related to Regulatory Approval and Marketing of Our Product Candidates and Other Legal Compliance Matters**

***Even if we complete the necessary preclinical studies and clinical trials, the marketing approval process is expensive, time-consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our drug candidates. As a result, we cannot predict when or if we or any of our collaborators will obtain marketing approval to commercialize a drug candidate.***

The research, testing, manufacturing, labeling, approval, selling, marketing, promotion and distribution of drugs are subject to extensive regulation by the FDA and comparable foreign regulatory authorities, whose laws and regulations may differ from country to country. We are not permitted to market our drug candidates in the United States or in other countries until we or any of our collaborators receive approval of an NDA from the FDA or marketing approval from applicable regulatory authorities outside of the United States. In July 2019, the FDA approved XPOVIO™ (selinexor) in combination with dexamethasone for the treatment of adult patients with RRMM who have received at least four prior therapies and whose disease is refractory to at least two proteasome inhibitors, at least two immunomodulatory agents, and an anti-CD38 monoclonal antibody. This indication is approved under accelerated approval based on response rate. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial. The ongoing, randomized Phase 3 BOSTON study evaluating selinexor in combination with Velcade® (bortezomib) and low-dose dexamethasone will serve as the confirmatory trial. In addition, we submitted a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) in January 2019 with a request for conditional approval of selinexor as a treatment for patients with heavily pretreated multiple myeloma based on the results of the STORM study. During March 2019, the EMA had inspectors conduct a Good Clinical Practices (GCP) inspection at our headquarters, which was also attended by the FDA, as well as inspections of two clinical sites that participated in Part 2 of the STORM study. While we did not receive any findings from the FDA, in May 2019, the EMA inspectors provided us a written inspection report seeking our responses to various questions and findings. We promptly addressed the questions and findings in the inspection report and submitted proposals to the EMA's Committee for Medicinal Products for Human Use (CHMP), which we believe will adequately address any inspection findings. However, there can be no assurance that our proposals will be acceptable to the CHMP. We have not submitted any other application for, or received any marketing approval of, any of our drug candidates in the United States or in any other jurisdiction. We have limited experience in conducting and managing the clinical trials necessary to obtain marketing approvals, including FDA approval of an NDA. The process of obtaining marketing approvals, both in the United States and abroad, is a lengthy, expensive and uncertain process. It may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the drug candidates involved.

In addition, changes in marketing approval policies during the development period, changes in or the enactment or promulgation of additional statutes, regulations or guidance or changes in regulatory review for each submitted drug application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical studies, clinical trials or other studies and testing. In addition, varying interpretations of the data obtained from preclinical studies and clinical trials could delay, limit or prevent marketing approval of a drug candidate. Any marketing approval we or any of our collaborators ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved drug not commercially viable.



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Any delay in obtaining or failure to obtain required approvals could materially adversely affect our ability or that of any of our collaborators to generate revenue from the particular drug candidate, which likely would result in significant harm to our financial position and adversely impact our stock price.

***Since XPOVIO received accelerated approval by the FDA, we must still comply with post-approval development and regulatory requirements to maintain that approval and, if we fail to do so, FDA could withdraw its approval of XPOVIO, which would lead to substantially lower revenues.***

For drugs granted accelerated approval, the FDA typically requires post-marketing confirmatory trials to evaluate the anticipated effect on irreversible morbidity or mortality or other clinical benefit. These confirmatory trials must be completed with due diligence. As a condition of the accelerated approval of XPOVIO, we are required to (i) complete and submit a final report with full datasets from the BOSTON study following completion of the study, (ii) conduct a randomized phase 2 clinical trial of selinexor plus dexamethasone with two different doses of selinexor that are lower than 80 mg on days 1 and 3 of each week, in a similar patient population for which XPOVIO is indicated (which we plan to conduct outside the United States), (iii) conduct a hepatic impairment trial with selinexor in patients with cancer and (iv) conduct a drug interaction trial with selinexor in patients to evaluate the effect of co-administration of a strong CYP3A4 inhibitor on the pharmacokinetics of selinexor.

The FDA may withdraw approval of a product candidate approved under the accelerated approval pathway if, for example, the trial required to verify the predicted clinical benefit of our product candidate fails to verify such benefit or does not demonstrate sufficient clinical benefit to justify the risks associated with the drug. The FDA may also withdraw approval if other evidence demonstrates that our product candidate is not shown to be safe or effective under the conditions of use, we fail to conduct any required post approval trial of our product candidate with due diligence or we disseminate false or misleading promotional materials relating to our product candidate. Similar risks to those described above are also applicable to any application that we have submitted or may submit to the EMA to support conditional approval of selinexor to treat heavily pretreated multiple myeloma, relapsed/refractory DLBCL, or any other cancer indication.

There can be no assurance that the BOSTON study conducted as part of our post-marketing obligations will confirm that the surrogate marker used for accelerated approval of XPOVIO will eventually show an adequate correlation with clinical outcomes. If the BOSTON study fails to show such adequate correlation, we may not be able to maintain our previously granted marketing approval of XPOVIO.

***Our failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed abroad, and any approval we are granted for our product candidates in the United States would not assure approval of product candidates in foreign jurisdictions.***

In order to market and sell our drugs in the European Union and many other jurisdictions, we and our current or future collaborators must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The marketing approval process outside of the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside of the United States, it is required that the drug be approved for reimbursement before the drug can be approved for sale in that country. We and our collaborators may not obtain approvals from regulatory authorities outside of the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside of the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market.

Additionally, on June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union, commonly referred to as Brexit. On March 29, 2017, the United Kingdom formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. The United Kingdom had a period of a maximum of two years from the date of its formal notification to negotiate the terms of its withdrawal from, and future relationship with, the European Union. If no formal withdrawal agreement can be reached between the United Kingdom and the European Union, then it is expected that the United Kingdom's membership of the European Union would automatically terminate on the deadline, which was initially March 29, 2019. That deadline has been extended to October 31, 2019 to allow the parties to negotiate a withdrawal agreement, which has proven to be extremely difficult to date. Discussions between the United Kingdom and the European Union will continue to focus on withdrawal issues and transition agreements. However, limited progress to date in these negotiations and ongoing uncertainty within the United Kingdom Government and Parliament sustains the possibility of the United Kingdom leaving the European Union without a withdrawal agreement and associated transition period in place, which is likely to cause significant market and economic disruption.



Since a significant proportion of the regulatory framework in the United Kingdom is derived from European Union directives and regulations, the withdrawal could materially impact the regulatory regime with respect to the approval of our product candidates in the United Kingdom or the European Union. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from commercializing our product candidates in the United Kingdom and/or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or European Union for our product candidates, which could significantly and materially harm our business.

***We may seek approval from the FDA or comparable non-U.S. regulatory authorities to use accelerated development pathways for our product candidates, including for selinexor in diffuse large B-cell lymphoma. If we are not able to use such pathways, we may be required to conduct additional clinical trials beyond those that we contemplate and that would increase the expense of obtaining, and delay the receipt of, necessary marketing approvals, if we receive them at all. In addition, even if we are able to use an accelerated approval pathway, it may not lead to expedited approval of our product candidates, or approval at all.***

Under the Federal Food, Drug and Cosmetic Act, or FDCA, and implementing regulations, the FDA may grant accelerated approval to a product candidate to treat a serious or life-threatening condition that provides meaningful therapeutic benefit over available therapies, upon a determination that the product has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. The FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality. For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit measurement of a therapeutic effect that is considered reasonably likely to predict the clinical benefit of a drug. The accelerated approval pathway may be used in cases in which the advantage of a new drug over available therapy may not be a direct therapeutic advantage, but is a clinically important improvement from a patient and public health perspective. Prior to seeking such accelerated approval, we will continue to seek feedback from the FDA and otherwise evaluate our ability to seek and receive such accelerated approval.

We intend to use the data from the SADAL study to support an NDA request that the FDA consider granting accelerated approval for selinexor in relapsed and/or refractory diffuse large B-cell lymphoma, or DLBCL, and work with the FDA to determine the appropriate timeline for the submission of the NDA. In November 2018, the FDA granted fast track designation to selinexor for the treatment of patients that have relapsed and/or refractory DLBCL after at least two prior multi-agent therapies and who are ineligible for transplantation, including high dose chemotherapy with stem cell rescue. While the FDA agreed that the trial design and indication appear appropriate for accelerated approval, they reiterated to us in their feedback that the availability of accelerated approval will depend on the trial results and available therapies at the time of regulatory action. The FDA also has reiterated to us that it recommends, in general, a randomized trial with a survival endpoint as an initial registration approach. In addition, as we experienced with our NDA based on the results of Part 2 of the STORM study, the FDA has noted tolerability and dose optimization as review matters. Although we believe that our SADAL study presents an opportunity for us to request that the FDA grant accelerated approval for selinexor in relapsed and/or refractory DLBCL, there can be no assurance that the FDA will grant such approval, whether on an accelerated basis, or at all.

There can also be no assurance that the FDA will agree with our surrogate endpoints or intermediate clinical endpoints, or that we will decide to pursue or submit any additional NDAs for accelerated approval or any other form of expedited development, review or approval. Similarly, there can be no assurance that, after feedback from FDA, we will continue to pursue or apply for accelerated approval or any other form of expedited development, review or approval, even if we initially decide to do so. Furthermore, for any submission of an application for accelerated approval or application under another expedited regulatory designation, there can be no assurance that such submission or application will be accepted for filing or that any expedited development, review or approval will be granted on a timely basis, or at all.

A failure to obtain accelerated approval or any other form of expedited development, review or approval for our product candidates, or withdrawal of a product candidate, would result in a longer time period until commercialization of such product candidate, could increase the cost of development of such product candidate and could harm our competitive position in the marketplace.

***A fast track designation or breakthrough therapy status by the FDA is not assured and, in any event, may not actually lead to a faster development or regulatory review or approval process and, moreover, would not assure FDA approval of our product candidates.***

We may be eligible for fast track designation or breakthrough therapy status for product candidates that we develop. If a product is intended for the treatment of a serious or life-threatening disease or condition and the product demonstrates the potential to address unmet medical needs for this disease or condition, the product sponsor may apply for FDA fast track designation. Additionally, a



product candidate may be designated as a breakthrough therapy if it is intended, either alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. The FDA has broad discretion whether or not to grant these designations, so even if we believe a particular product candidate is eligible for such designation or status, the FDA could decide not to grant it. Moreover, even if we do receive such a designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures and there is no assurance that our product candidate will be approved by the FDA.

In April 2018, the FDA granted fast track designation to selinexor for the treatment of patients with multiple myeloma who have received at least three prior lines of therapy that include regimens comprised of an alkylating agent, a glucocorticoid, Velcade® (bortezomib), Kyprolis® (carfilzomib), Revlimid® (lenalidomide), Pomalyst® (pomalidomide) and Darzalex® (daratumumab) and whose disease is refractory to at least one proteasome inhibitor (Velcade or Kyprolis), one immunomodulatory agent (Revlimid or Pomalyst), glucocorticoids and to Darzalex, as well as to the most recent therapy. In addition, in November 2018, the FDA granted fast track designation to selinexor for the treatment of patients that have relapsed and/or refractory DLBCL after at least two prior multi-agent therapies and who are ineligible for transplantation, including high dose chemotherapy with stem cell rescue. However, even with these fast track designations, we may not experience a faster development process, review or approval compared to conventional FDA procedures and there is no assurance that selinexor will be approved by the FDA. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

***Priority review designation by the FDA may not lead to a faster regulatory review or approval process and, in any event, does not assure FDA approval of our product candidate.***

If the FDA determines that a product candidate offers major advances in treatment or provides a treatment where no adequate therapy exists, the FDA may designate the product candidate for priority review. A priority review designation means that the FDA's goal to review an application is six months, rather than the standard review period of ten months. The FDA has broad discretion with respect to whether or not to grant priority review status to a product candidate, so even if we believe a particular product candidate is eligible for such designation or status, the FDA may decide not to grant it. Moreover, a priority review designation does not necessarily mean a faster regulatory review process or necessarily confer any advantage with respect to approval compared to conventional FDA procedures. For example, in connection with our NDA for XPOVIO, in March 2019, the FDA extended the Prescription Drug User Fee Act (PDUFA) action date by three months following our submission of additional, existing clinical information as an amendment to the NDA, which resulted in a nine-month review cycle. Receiving priority review from the FDA does not guarantee approval within the six-month review cycle or thereafter.

***We may not be able to obtain orphan drug exclusivity for our product candidates.***

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs and biologics for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug or biologic intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States.

Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity, which precludes the EMA or the FDA from approving another marketing application for the same product for that time period. The applicable period is seven years in the United States and ten years in Europe. The European exclusivity period can be reduced to six years if a product no longer meets the criteria for orphan drug designation or if the product is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the product to meet the needs of patients with the rare disease or condition.

Even if we obtain orphan drug exclusivity from the FDA for a product, as we have for XPOVIO as a treatment for patients with heavily pretreated multiple myeloma and selinexor in acute myeloid leukemia and DLBCL, that exclusivity may not effectively protect the product from competition because different products can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve a different product for the same condition if the FDA concludes that the later product is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

On August 3, 2017, Congress passed the FDA Reauthorization Act of 2017, or FDARA. FDARA, among other things, codified the FDA's pre-existing regulatory interpretation, to require that a drug sponsor demonstrate the clinical superiority of an orphan drug that is otherwise the same as a previously approved drug for the same rare disease in order to receive orphan drug exclusivity. The new legislation reverses prior precedent holding that the Orphan Drug Act unambiguously requires that the FDA recognize the orphan exclusivity period regardless of a showing of clinical superiority. The FDA may further reevaluate the Orphan Drug Act and its



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regulations and policies. We do not know if, when, or how the FDA may change the orphan drug regulations and policies in the future, and it is uncertain how any changes might affect our business. Depending on what changes the FDA may make to its orphan drug regulations and policies, our business could be adversely impacted.

***Even if we or any of our collaborators obtain marketing approvals for our drug candidates, the terms of approvals and ongoing regulation of our drugs may limit how we, or they, manufacture and market our drugs, which could materially impair our ability to generate revenue.***

Once marketing approval has been granted, an approved drug and its manufacturer and marketer are subject to ongoing review and extensive regulation. We and our collaborators must therefore comply with requirements concerning advertising and promotion for XPOVIO or for any of our drug candidates for which we or they obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the drug's approved labeling. Thus, we and our collaborators may not be able to promote any drugs we develop for indications or uses for which they are not approved.

In addition, manufacturers of approved drugs and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our contract manufacturers, our collaborators and their contract manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs.

Accordingly, assuming we or our current or future collaborators receive marketing approval for one or more of our drug candidates, we, and our collaborators, and our and their contract manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control.

If we and our collaborators are not able to comply with post-approval regulatory requirements, we and our collaborators could have the marketing approvals for our drugs withdrawn by regulatory authorities, and our or our collaborators' ability to market any future drugs could be limited, which could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

***XPOVIO and any of our drug candidates for which we or our collaborators obtain marketing approval in the future could be subject to post-marketing restrictions or withdrawal from the market, and we and our collaborators may be subject to substantial penalties if we, or they, fail to comply with regulatory requirements or if we, or they, experience unanticipated problems with our drugs following approval.***

XPOVIO and any of our drug candidates for which we or our collaborators obtain marketing approval in the future, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such drug, among other things, will be subject to continual requirements of and review by the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a drug candidate is granted, the approval may be subject to limitations on the indicated uses for which the drug may be marketed or to the conditions of approval, including the requirement to implement a Risk Evaluation and Mitigation Strategy, which could include requirements for a restricted distribution system.

The FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a drug. The FDA and other agencies, including the Department of Justice, or the DOJ, closely regulate and monitor the post-approval marketing and promotion of drugs to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use, and if we or our collaborators do not market any of our drug candidates for which we, or they, receive marketing approval for only their approved indications, we, or they, may be subject to warnings or enforcement action for off-label marketing. Violation of the FDCA and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state health care fraud and abuse laws and state consumer protection laws. In addition, later discovery of previously unknown AEs or other problems with our drugs or their manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- litigation involving patients taking our drug;



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- restrictions on such drugs, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a drug;
- restrictions on drug distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the drugs from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of drugs;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of drugs;
- drug seizure; or
- injunctions or the imposition of civil or criminal penalties.

***Under the Cures Act and the Trump Administration’s regulatory reform initiatives, the FDA’s policies, regulations and guidance may be revised or revoked and that could prevent, limit or delay regulatory approval of our product candidates, which would impact our ability to generate revenue.***

In December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and spur innovation, but its ultimate implementation is unclear. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump Administration may impact our business and industry. Namely, the Trump Administration has taken several executive actions, including the issuance of a number of executive orders, that could impose significant burdens on, or otherwise materially delay, the FDA’s ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. An under-resourced FDA could result in delays in the FDA’s responsiveness or in its ability to review submissions or applications, issue regulations or guidance, or implement or enforce regulatory requirements in a timely fashion or at all. In January 2017, President Trump issued an executive order, applicable to all executive agencies including the FDA, which requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the “two-for-one” provisions. This executive order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the executive order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within OMB in February 2017, the administration indicates that the “two-for-one” provisions may apply not only to agency regulations, but also to significant agency guidance documents. In addition, on February 24, 2017, President Trump issued an executive order directing each affected agency to designate an agency official as a “Regulatory Reform Officer” and establish a “Regulatory Reform Task Force” to implement the two-for-one provisions and other previously issued executive orders relating to the review of federal regulations. It is difficult to predict how these various requirements will be implemented, and the extent to which they will impact the FDA’s ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA’s ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.



***Current and future legislation may increase the difficulty and cost for us and any collaborators to obtain marketing approval and commercialize our drug candidates and affect the prices we, or they, may obtain.***

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could, among other things, prevent or delay marketing approval of our drug candidates, restrict or regulate post-approval activities and affect our ability, or the ability of any collaborators, to profitably sell or commercialize XPOVIO or any drug candidate for which we, or they, obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we, or any collaborators, may receive for any approved drugs.

Among the provisions of the Patient Protection and Affordable Care Act, or ACA, of potential importance to our business, including, without limitation, our ability to commercialize and the prices we may obtain for any of our drug candidates that are approved for sale, are the following:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the civil False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% (and 70% starting January 1, 2019) point-of-sale discounts off negotiated prices to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report certain financial arrangements with physicians and teaching hospitals;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Other legislative changes have been proposed and adopted since the ACA was enacted. These changes include the Budget Control Act of 2011, which, among other things, led to aggregate reductions to Medicare payments to providers of up to 2% per fiscal year that started in April 2013 and, due to subsequent legislative amendments, will stay in effect through 2027 unless additional Congressional action is taken, and the American Taxpayer Relief Act of 2012, which, 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. These new laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for XPOVIO and for any of our product candidates for which we may obtain regulatory approval or the frequency with which XPOVIO or any such product candidate is prescribed or used. Further, there have been several recent U.S. congressional inquiries and proposed state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products.

We expect that these healthcare reforms, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for XPOVIO or any other approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which our products are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

Some of the provisions of the ACA have yet to be implemented, and there have been judicial and Congressional challenges to certain aspects of the ACA, as well as recent efforts by the Trump Administration to repeal or replace certain aspects of the ACA. Since January 2017, President Trump has signed two executive orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed



comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017, or the Tax Act, includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the 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”. On January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain ACA-mandated fees, including the so-called “Cadillac” tax on certain high cost employer-sponsored insurance plans, the annual fee imposed on certain health insurance providers based on market share, and the medical device excise tax on non-exempt medical devices. The Bipartisan Budget Act of 2018, among other things, amends the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole”. In July 2018, the Centers for Medicare and Medicaid Services, or CMS, published a final rule permitting further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program in response to the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas ruled that the individual mandate is an inseparable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. The Trump Administration has recently represented to the Court of Appeals considering this judgment that it does not oppose the lower court’s ruling. On July 10, 2019, the Court of Appeals for the Fifth Circuit heard oral argument in this case. In those arguments, the Trump Administration argued in support of upholding the lower court decision. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

The Trump Administration has also taken executive actions to undermine or delay implementation of the ACA. In January 2017, President Trump signed an executive order directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. In October 2017, the President signed a second executive order allowing for the use of association health plans and short-term health insurance, which may provide fewer health benefits than the plans sold through the ACA exchanges. At the same time, the Trump Administration announced that it will discontinue the payment of cost-sharing reduction, or CSR, payments to insurance companies until Congress approves the appropriation of funds for such CSR payments. The loss of the CSR payments is expected to increase premiums on certain policies issued by qualified health plans under the ACA. A bipartisan bill to appropriate funds for CSR payments was introduced in the Senate, but the future of that bill is uncertain. Further, in July 2018 following a federal district court decision from New Mexico, the Administration announced that it would be freezing payments to insurers under the ACA to cover sicker patients until it or Congress can address the appropriate methodology for calculating and making such payments. It remains to be seen how this action will affect the implementation of the ACA.

We will continue to evaluate the effect that the ACA and its possible repeal and replacement could have on our business. It is possible that repeal and replacement initiatives, if enacted into law, could ultimately result in fewer individuals having health insurance coverage or in individuals having insurance coverage with less generous benefits. While the timing and scope of any potential future legislation to repeal and replace ACA provisions is uncertain in many respects, it is also possible that some of the ACA provisions that generally are not favorable for the research-based pharmaceutical industry could also be repealed along with ACA coverage expansion provisions. Accordingly, such reforms, if enacted, could have an adverse effect on anticipated revenue from XPOVIO or from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop or commercialize product candidates.

Further, there have been several recent U.S. congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. At the federal level, the Trump administration’s budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid, and to eliminate cost sharing for generic drugs for low-income patients. While any proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs.

Specifically, there have been several recent U.S. congressional inquiries and proposed federal and proposed and enacted state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. At the federal level, Congress and the current administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. For example, on May 11, 2018, the current administration issued a plan to lower drug prices. Under this blueprint for action, the current administration indicated that the Department of Health and Human Services, or HHS, will take steps to end the gaming of regulatory and patent processes by drug makers to unfairly protect

monopolies, advance biosimilars and generics to boost price competition, evaluate the inclusion of prices in drug makers' ads to enhance price competition, speed access to and lower the cost of new drugs by clarifying policies for sharing information between insurers and drug makers, avoid excessive pricing by relying more on value-based pricing by expanding outcome-based payments in Medicare and Medicaid, work to give Medicare Part D plan sponsors more negotiation power with drug makers, examine which Medicare Part B drug prices could be negotiated by Medicare Part D plans, improve the design of the Medicare Part B Competitive Acquisition Program, update Medicare's drug-pricing dashboard to increase transparency, prohibit Medicare Part D contracts that include "gag rules" that prevent pharmacists from informing patients when they could pay less out-of-pocket by not using insurance, and require that Medicare Part D plan members be provided with an annual statement of plan payments, out-of-pocket spending, and drug price increases. More recently, on January 31, 2019, the HHS Office of Inspector General proposed modifications to the federal anti-kickback statute discount safe harbor for the purpose of reducing the cost of drug products to consumers which, among other things, if finalized, will affect discounts paid by manufacturers to Medicare Part D plans, Medicaid managed care organizations and pharmacy benefit managers working with these organizations.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing.

Moreover, legislative and regulatory proposals have also been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical drugs. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our drug candidates, if any, may be. In addition, increased scrutiny by the Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us and any collaborators to more stringent drug labeling and post-marketing testing and other requirements.

***Our relationships with healthcare providers and physicians and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.***

Healthcare providers, physicians and third party payors will play a primary role in the recommendation and prescription of any drugs for which we obtain marketing approval. Our future arrangements with third party payors, healthcare providers and physicians may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any drugs for which we obtain marketing approval. These include the following:

- **Anti-Kickback Statute**—the federal healthcare anti-kickback statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation or arranging of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- **False Claims Act**—the federal False Claims Act imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment by a federal healthcare program or making a false statement or record material to payment of a false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government, with potential liability including mandatory treble damages and significant per-claim penalties, currently set at \$5,500 to \$11,000 per false claim;
- **HIPAA**—the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters, and, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms and technical safeguards, with respect to maintaining the privacy, security and transmission of individually identifiable health information;
- **Transparency Requirements**—federal laws require applicable manufacturers of covered drugs to report payments and other transfers of value to physicians and teaching hospitals; and



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- **Analogous State and Foreign Laws**—analogous state and foreign fraud and abuse laws and regulations, such as state anti-kickback and false claims laws, can apply to sales or marketing arrangements and claims involving healthcare items or services and are generally broad and are enforced by many different federal and state agencies as well as through private actions.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of drugs from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

The provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the European Union. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of European Union Member States, such as the UK Bribery Act 2010. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain European Union Member States must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician's employer, his or her competent professional organization and/or the regulatory authorities of the individual European Union Member States. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the European Union Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

***Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition or results of operations.***

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, the collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the EU General Data Protection Regulation, or the GDPR, which took effect across all member states of the European Economic Area, or EEA, in May 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR increases our obligations with respect to clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that clinical trial sites located in the EEA should apply to transfers of personal data from such sites to countries that are considered to lack an adequate level of data protection, such as the United States. The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater, and it also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. In addition, the GDPR provides that European Union member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

Given the breadth and depth of changes in data protection obligations, preparing for and complying with the GDPR's requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices,



as well as those of any third-party collaborators, service providers, contractors or consultants that process or transfer personal data collected in the European Union. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities and increase our cost of doing business, and could lead to government enforcement actions, private litigation and significant fines and penalties against us and could have a material adverse effect on our business, financial condition or results of operations. Similarly, failure to comply with federal and state laws regarding privacy and security of personal information could expose us to fines and penalties under such laws. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

***Our employees, independent contractors, consultants and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading, which could cause significant liability for us and harm our reputation.***

We are exposed to the risk of fraud or other misconduct by our employees, independent contractors, consultants and vendors. Misconduct by these partners could include intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, provide accurate information to the FDA or comparable foreign regulatory authorities, comply with manufacturing standards, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. This could include violations of HIPAA, other U.S. federal and state law, and requirements of non-U.S. jurisdictions, including the GDPR. We are also exposed to risks in connection with any insider trading violations by employees or others affiliated with us. 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 such laws, standards, regulations, guidance or codes of conduct. 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 and results of operations, including the imposition of significant fines or other sanctions.

***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.***

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

***Laws and regulations governing any international operations we may have in the future may preclude us from developing, manufacturing and selling certain drug candidates outside of the United States and require us to develop and implement costly compliance programs.***

We are subject to numerous laws and regulations in each jurisdiction outside the United States in which we operate. The creation, implementation and maintenance of international business practices compliance programs is costly and such programs are difficult to enforce, particularly where reliance on third parties is required.

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The FCPA prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. The anti-bribery provisions of the FCPA are enforced primarily by the DOJ. The Securities and Exchange Commission, or SEC, is involved with enforcement of the books and records provisions of the FCPA.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. Our expansion outside of the United States, has required, and will continue to require, us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain drugs and drug candidates outside of the United States, which could limit our growth potential and increase our development costs. The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties. Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. government until the pending claims are resolved. Conviction of a violation of the FCPA can result in long-term disqualification as a government contractor. The termination of a government contract or relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices would have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

***Governments outside of the United States tend to impose strict price controls, which may adversely affect our revenues from the sales of drugs, if any.***

In some countries, including the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a drug. To obtain reimbursement or pricing approval in some countries, we or our existing and future collaborators may be required to conduct a clinical trial that compares the cost-effectiveness of our drug to other available therapies. If reimbursement of our drugs is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be materially harmed.

***Inadequate funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.***

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including in recent months, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, in our operations as a public company, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.



## Risks Related to Our Intellectual Property

***If we are unable to obtain and maintain patent protection for our drug candidates and other discoveries, or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize drugs and other discoveries similar or identical to ours, and our ability to successfully commercialize our drug candidates and other discoveries may be adversely affected.***

Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary drug candidates and other discoveries. We seek to protect our proprietary position by filing patent applications in the United States and abroad related to our novel drug candidates and other discoveries that are important to our business. To date, 63 patents have issued that relate to XPO1 inhibitors, including composition of matter patents for selinexor, verdinexor and eltanexor in the United States, and their use in targeted therapeutics. In addition, eight patents have issued that relate to our PAK4/NAMPT inhibitors, including a composition of matter patent for KPT-9274 in the United States and its use in targeted therapeutics. We cannot be certain that any other patents will issue with claims that cover any of our key drug candidates or other discoveries or drug candidates.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our drug candidates or other discoveries, or which effectively prevent others from commercializing competitive drugs and discoveries. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, in some foreign jurisdictions, our ability to secure patents based on our filings in the United States may depend, in part, on our ability to timely obtain assignment of rights to the invention from the employees and consultants who invented the technology. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions.

Assuming the other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside of the United States, the first to file a patent application is entitled to the patent. In March 2013, the United States transitioned to a first-inventor-to-file system in which, assuming the other requirements for patentability are met, the first inventor to file a patent application is entitled to the patent. We may be subject to a third-party preissuance submission of prior art to the U.S. Patent and Trademark Office, or become involved in opposition, derivation, revocation, reexamination, or post-grant or *inter partes* review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our discoveries or drugs and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize drugs without infringing third-party patent rights.

Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative discoveries or drugs in a non-infringing manner.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical discoveries and drugs, or limit the duration of the patent protection of our discoveries and drug candidates. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing drugs similar or identical to ours.



***We may become involved in lawsuits to protect or enforce our patents and other intellectual property rights, which could be expensive, time-consuming and unsuccessful.***

Competitors or commercial supply companies or others may infringe our patents and other intellectual property rights. For example, we are aware of third parties selling a version of our lead product candidate for research purposes, which may infringe our intellectual property rights. To counter such infringement, we may advise such companies of our intellectual property rights, including, in some cases, intellectual property rights that provide protection for our lead product candidates, and demand that they stop infringing those rights. Such demand may provide such companies the opportunity to challenge the validity of certain of our intellectual property rights, or the opportunity to seek a finding that their activities do not infringe our intellectual property rights. We may also be required to file infringement actions, which can be expensive and time-consuming. In an infringement proceeding, a defendant may assert and a court may agree with a defendant that a patent of ours is invalid or unenforceable, or may refuse to stop the other party from using the intellectual property at issue. An adverse result in any litigation could put one or more of our patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

***Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.***

Our commercial success depends upon our ability and the ability of any current and future collaborators to develop, manufacture, market and sell XPOVIO and our drug candidates and use our proprietary technologies without infringing the proprietary rights of third parties. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our drug candidates and technology, including interference proceedings before the U.S. Patent and Trademark Office. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. No litigation asserting such infringement claims is currently pending against us, and we have not been found by a court of competent jurisdiction to have infringed a third party's intellectual property rights. If we are found to infringe or think there is a risk we may be found to infringe, a third party's intellectual property rights, we could be required or choose to obtain a license from such third party to continue developing, marketing and selling our drugs, drug candidates and technology. However, we may not be able to obtain any required license on commercially reasonable terms, or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same intellectual property licensed to us. We could be forced, including by court order, to cease commercializing the infringing intellectual property or drug or to cease using the infringing technology. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our drug candidates or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

***We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Although we have no knowledge of any such claims being alleged to date, if such claims were to arise, litigation may be necessary to defend against any such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

***Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.***

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.



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***Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to the United States Patent and Trademark Office, or USPTO, and various foreign patent offices at various points over the lifetime of the patents and/or applications. We have systems in place to remind us to pay these fees, and we rely on our outside counsel to pay these fees when due. Additionally, the USPTO and various foreign patent offices require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply with such provisions, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with rules applicable to the particular jurisdiction. However, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If such an event were to occur, it could have a material adverse effect on our business.

***If we do not successfully extend the term of patents covering our drug candidates under the Hatch-Waxman Amendments and similar foreign legislation, our business may be materially harmed.***

Depending upon the timing, duration and conditions of FDA marketing approval, if any, of our drug candidates, one or more of our U.S. patents may be eligible for patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent term extension of up to five years for one patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. The total patent term, including the extension period, may not exceed 14 years following FDA approval. Accordingly, the length of the extension, or the ability to even obtain an extension, depends on many factors.

In the United States, only a single patent can be extended for each qualifying FDA approval, and any patent can be extended only once and only for a single product. Laws governing analogous patent term extensions in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Because both selinexor and verdinexor are protected by a single family of patents and applications, we may not be able to secure patent term extensions for both of these drug candidates in all jurisdictions where these drug candidates are approved, if ever.

If we are unable to obtain a patent term extension for a drug candidate or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that drug candidate, if any, in that jurisdiction will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue could be materially reduced.

***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.***

In addition to seeking patents for our drugs, drug candidates and other discoveries, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. To the extent that we are unable to timely enter into confidentiality and invention or patent assignment agreements with our employees and consultants, our ability to protect our business through trade secrets and patents may be harmed. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside of the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed. To the extent inventions are made by a third party under an agreement that does not grant us an assignment of their rights in inventions, we may choose or be required to obtain a license.

***Not all of our trademarks are registered. Failure to secure those registrations could adversely affect our business.***

As of August 1, 2019, four of our trademarks are registered in the United States. We also have ten pending intent-to-use applications in the United States, seven of which have been allowed, meaning that we can perfect our registration when we have commenced use in commerce. We have recently filed a Statement of Use for one of those marks (XPOVIO). Outside the United



States, we have registrations in the European Union for seven trademarks (potential drug names for selinexor) and pending applications for two others. Applications for the same nine trademarks were filed in 15 other jurisdictions, some of which have also proceeded to registration. Applications for one of those marks (XPOVIO) have been filed in 14 additional jurisdictions, and applications for three of those marks (NEXPOVIO, XPOVI and XPOVIE) have been filed in twenty additional jurisdictions. We have also filed a trademark application for XPOVIO in Katakana in Japan, Hangul in South Korea and Chinese characters in Taiwan. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would, which could adversely affect our business. During trademark registration proceedings in the United States and foreign jurisdictions, we may receive rejections. We are given an opportunity to respond to those rejections, but we may not be able to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings.

In addition, any proprietary name we propose to use with our key drug candidates in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed drug names, including an evaluation of potential for confusion with other drug names. If the FDA objects to any of our proposed proprietary drug names for any of our drug candidates, if approved, we may be required to expend significant additional resources in an effort to identify a suitable proprietary drug name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA.

### **Risks Related to Employee Matters and Managing Growth**

***Our future success depends on our ability to retain our Chief Executive Officer, our President and Chief Scientific Officer and other key executives and to attract, retain and motivate qualified personnel.***

We are highly dependent on Michael Kauffman, M.D., Ph.D., our Chief Executive Officer, and Sharon Shacham, Ph.D., M.B.A., our President and Chief Scientific Officer, as well as the other principal members of our management and scientific teams. Although we have entered into formal employment agreements with Drs. Kauffman and Shacham, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain “key person” insurance for any of our executives or other employees. The loss of the services of any of our key employees could impede the achievement of our research, development, commercialization and other business objectives.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

***Drs. Kauffman and Shacham are married to each other. The separation or divorce of the couple in the future could adversely affect our business.***

Dr. Kauffman, our Chief Executive Officer and member of our board of directors, and Dr. Shacham, our President and Chief Scientific Officer, are married to each other. They are two of our executive officers and are a vital part of our operations. If they were to become separated or divorced or could otherwise not amicably work with each other, one or both of them may decide to cease his or her employment with us or it could negatively impact our working environment. Alternatively, their work performance may not be satisfactory if they become preoccupied with issues relating to their personal situation. In these cases, our business could be materially harmed.

***We have expanded expect to continue to expand our development, regulatory and sales, marketing and distribution capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.***

We have experienced and expect to continue to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, clinical operations, regulatory affairs, sales, marketing and distribution. To manage our current and anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing such growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant



costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

***Our business and operations may be materially adversely affected in the event of computer system failures or security breaches, and the costs and consequences of implementing data protection measures could be significant.***

Despite the implementation of security measures, our internal computer systems, and those of our contract research organizations and other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, cyber attacks, natural disasters, fire, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our reputation or competitive position could be damaged, and the further development and commercialization of our drug candidates could be delayed or halted. We may also be vulnerable to cyber attacks by hackers, or other malfeasance. This type of breach of our cybersecurity may compromise our confidential information and/or our financial information and adversely affect our business or result in legal proceedings. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Moreover, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate security measures.

**Risks Related to Our Common Stock**

***Our executive officers, directors and principal stockholders maintain the ability to control all matters submitted to stockholders for approval.***

As of June 30, 2019, our executive officers, directors and a small number of stockholders own more than a majority of our outstanding common stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

***Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;



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- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

### ***An active trading market for our common stock may not be sustained.***

Although our common stock is listed on The Nasdaq Global Select Market, an active trading market for our shares may not be sustained. If an active market for our common stock does not continue, it may be difficult for you to sell shares of our common stock without depressing the market price for the shares, or at all. An inactive trading market for our common stock may also impair our ability to raise capital to continue to fund our operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

### ***If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.***

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. There can be no assurance that analysts will provide favorable coverage or continue to cover us. If one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

### ***The price of our common stock has been and may be volatile in the future and fluctuate substantially.***

Our stock price has been and is likely to be volatile and may fluctuate substantially. For example, since January 1, 2015, our common stock has traded at prices per share as high as \$38.47 and as low as \$3.92. On August 1, 2019, the closing sale price of our common stock on The Nasdaq Global Select Market was \$8.81 per share. The stock market in general and the market for pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- our success in launching and commercializing XPOVIO;
- the success of competitive drugs or technologies;
- results of clinical trials of our drug candidates or those of our competitors;
- our success in commercializing our drug candidates, if and when approved;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to the commercial launch of XPOVIO and clinical development programs for any of our drug candidates;
- the results of our efforts to discover, develop, acquire or in-license additional drug candidates or drugs;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;



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- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

### ***We could be subject to securities class action litigation.***

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. See Part II, Item 1, “Legal Proceedings” in this Quarterly Report on Form 10-Q for information concerning securities litigation recently initiated against us and certain of our executive officers and directors and certain other defendants. Because of the volatility of our stock price, we may become the target of additional securities litigation in the future. Class action, derivative lawsuits and other securities litigation, whether successful or not, could result in substantial costs, damage, indemnification or settlement awards and divert management’s attention and resources from running our business, which could materially harm our reputation, financial condition and results of operations. We may also face additional securities class action litigation if we fail to successfully launch and commercialize XPOVIO, or if we cannot obtain regulatory approvals for, or if we otherwise fail to successfully commercialize and launch, our drug candidates.

### ***We have broad discretion in the use of our cash and cash equivalents and may not use them effectively.***

Our management has broad discretion to use our cash and cash equivalents to fund our operations and could spend these funds in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our drug candidates. Pending their use to fund our operations, we may invest our cash and cash equivalents in a manner that does not produce income or that loses value.

### ***We have incurred and will continue to incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance initiatives and corporate governance practices.***

As a public company, we incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and have made some activities more time-consuming and costly especially since we are no longer an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, and are no longer able to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are “emerging growth companies” and that were applicable to us prior to January 1, 2019.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us, on an annual basis, to review and evaluate our internal controls. To maintain compliance with Section 404, we are required to document and evaluate our internal control over financial reporting, which has been both costly and challenging. We will need to continue to dedicate internal resources, continue to engage outside consultants and follow a detailed work plan to continue to assess and document the adequacy of internal control over financial reporting, continue to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that in the future neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

### ***Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

### ***A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is doing well.***

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our



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common stock. We had 60,965,505 shares outstanding as of June 30, 2019. Of such shares, at least 7.8 million shares are eligible for sale in the public market under Rule 144 of the Securities Act of 1933, as amended, or the Securities Act, subject to the volume limitations and other conditions of Rule 144. The holders of these shares may at any time decide to sell their shares in the public market. We have also registered all shares of common stock that we may issue under our equity compensation plans. As a result, these shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates, to the extent applicable.

### ***Our ability to use our net operating loss carryforwards and tax credit carryforwards to offset future taxable income may be subject to certain limitations.***

Under the provisions of the Internal Revenue Code of 1986, as amended, or the Code, our net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service (and state tax authorities under relevant state tax rules). In addition, as a result of the Tax Act, for U.S. federal income tax purposes, the use of net operating loss carryforwards arising in taxable years beginning after December 31, 2017 is limited to 80% of our taxable income in any future taxable year, although such losses may be carried forward indefinitely. It is uncertain how various states will respond to the Tax Act. Furthermore, the use of net operating loss and tax credit carryforwards may become subject to an annual limitation under Sections 382 and 383 of the Code, respectively, and similar state provisions in the event of certain cumulative changes in the ownership interest of significant shareholders in excess of 50 percent over a three-year period. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of a company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. Our company has completed several financings since its inception which resulted in an ownership change under Sections 382 and 383 of the Code. In addition, future changes in our stock ownership, some of which are outside of our control, could result in ownership changes in the future. For these reasons, we may not be able to use some or all of our net operating loss and tax credit carryforwards, even if we attain profitability.

### ***The comprehensive tax reform bill could adversely affect our business and financial condition.***

The Tax Act significantly revises the Internal Revenue Code of 1986, as amended. The Tax Act, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 34% to a flat rate of 21%, limitation of the tax deduction for net interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such net operating losses may be carried forward indefinitely), one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain how various states will respond to the Tax Act.



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### Item 6. Exhibits.

Exhibit Number	Description of Exhibit	File Number	Form	Incorporated by Reference		Provided Herewith
				Date of Filing	Exhibit Number	
3.1	<a href="#">Restated Certificate of Incorporation of the Registrant, as amended.</a>					X
31.1	<a href="#">Certification of principal executive officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>					X
31.2	<a href="#">Certification of principal financial officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.</a>					X
32.1	<a href="#">Certification of principal executive officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2	<a href="#">Certification of principal financial officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	Inline XBRL Instance Document				The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document	
101.SCH	Inline XBRL Schema Document					X
101.CAL	Inline XBRL Calculation Linkbase Document					X
101.DEF	Inline XBRL Definition Linkbase Document					X
101.LAB	Inline XBRL Label Linkbase Document					X
101.PRE	Inline XBRL Presentation Linkbase Document					X
104	Cover Page Interactive Data File				Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	



## RESTATED CERTIFICATE OF INCORPORATION

OF

KARYOPHARM THERAPEUTICS INC.

(originally incorporated on December 22, 2008)

FIRST: The name of the Corporation is Karyopharm Therapeutics Inc. (the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 105,000,000 shares, consisting of (i) 100,000,000 shares of Common Stock, \$0.0001 par value per share ("Common Stock"), and (ii) 5,000,000 shares of Preferred Stock, \$0.0001 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the "Board of Directors") upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock shall have voting rights at all meetings of stockholders, each such holder being entitled to one vote for each share thereof held by such holder; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (which, as used herein, shall mean the certificate of incorporation of the Corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation. There shall be no cumulative voting.

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend or other rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential or other rights of any then outstanding Preferred Stock.

**B PREFERRED STOCK.**

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by adopting a resolution or resolutions providing for the issuance of the shares thereof and by filing a certificate of designations relating thereto in accordance with the General Corporation Law of the State of Delaware, to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of the State of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the voting power of the capital stock of the Corporation entitled to vote thereon, voting as a single class, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

FIFTH: Except as otherwise provided herein, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

SIXTH: In furtherance and not in limitation of the powers conferred upon it by the General Corporation Law of the State of Delaware, and subject to the terms of any series of Preferred Stock, the Board of Directors shall have the power to adopt, amend, alter or repeal the By-laws of the Corporation by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present. The stockholders may not adopt, amend, alter or repeal the By-laws of the Corporation, or adopt any provision inconsistent therewith, unless such action is approved, in addition to any other vote required by this Certificate of Incorporation, by the affirmative vote of the holders of at least seventy-five percent (75%) of the votes that all the stockholders would be entitled to cast in any annual election of directors or class of directors. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article SIXTH.

SEVENTH: Except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If the General Corporation Law of the State of Delaware is amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended.

EIGHTH: The Corporation shall provide indemnification as follows:

1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The Corporation shall indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974), and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order,

settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Section 2 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless, and only to the extent, that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

3. Indemnification for Expenses of Successful Party. Notwithstanding any other provisions of this Article EIGHTH, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article EIGHTH, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, Indemnitee shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by or on behalf of Indemnitee in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnitee, (ii) an adjudication that Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by Indemnitee, (iv) an adjudication that Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that Indemnitee had reasonable cause to believe his or her conduct was unlawful, Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

4. Notification and Defense of Claim. As a condition precedent to an Indemnitee's right to be indemnified, such Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving such Indemnitee for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel

reasonably acceptable to Indemnitee. After notice from the Corporation to Indemnitee of its election so to assume such defense, the Corporation shall not be liable to Indemnitee for any legal or other expenses subsequently incurred by Indemnitee in connection with such action, suit, proceeding or investigation, other than as provided below in this Section 4. Indemnitee shall have the right to employ his or her own counsel in connection with such action, suit, proceeding or investigation, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Corporation, (ii) counsel to Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and Indemnitee in the conduct of the defense of such action, suit, proceeding or investigation or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, suit, proceeding or investigation, in each of which cases the fees and expenses of counsel for Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article EIGHTH. The Corporation shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify Indemnitee under this Article EIGHTH for any amounts paid in settlement of any action, suit, proceeding or investigation effected without its written consent. The Corporation shall not settle any action, suit, proceeding or investigation in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Corporation nor Indemnitee will unreasonably withhold or delay its consent to any proposed settlement.

5. Advance of Expenses. Subject to the provisions of Section 6 of this Article EIGHTH, in the event of any threatened or pending action, suit, proceeding or investigation of which the Corporation receives notice under this Article EIGHTH, any expenses (including attorneys' fees) incurred by or on behalf of an Indemnitee in defending an action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by or on behalf of Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right to appeal that Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article EIGHTH; and provided further that no such advancement of expenses shall be made under this Article EIGHTH if it is determined (in the manner described in Section 6 of this Article EIGHTH) that (i) Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, or (ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe his or her conduct was unlawful. Such undertaking shall be accepted without reference to the financial ability of Indemnitee to make such repayment.

6. Procedure for Indemnification and Advancement of Expenses. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article EIGHTH, an Indemnitee shall submit to the Corporation a written request. Any such advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of Indemnitee, unless (i) the Corporation has assumed

the defense pursuant to Section 4 of this Article EIGHTH (and none of the circumstances described in Section 4 of this Article EIGHTH that would nonetheless entitle the Indemnitee to indemnification for the fees and expenses of separate counsel have occurred) or (ii) the Corporation determines within such 60-day period that Indemnitee did not meet the applicable standard of conduct set forth in Section 1, 2 or 5 of this Article EIGHTH, as the case may be. Any such indemnification, unless ordered by a court, shall be made with respect to requests under Section 1 or 2 of this Article EIGHTH only as authorized in the specific case upon a determination by the Corporation that the indemnification of Indemnitee is proper because Indemnitee has met the applicable standard of conduct set forth in Section 1 or 2 of this Article EIGHTH, as the case may be. Such determination shall be made in each instance (a) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question (“disinterested directors”), whether or not a quorum, (b) by a committee of disinterested directors designated by majority vote of disinterested directors, whether or not a quorum, (c) if there are no disinterested directors, or if the disinterested directors so direct, by independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation) in a written opinion, or (d) by the stockholders of the Corporation.

7. Remedies. The right to indemnification or advancement of expenses as granted by this Article EIGHTH shall be enforceable by Indemnitee in any court of competent jurisdiction. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 of this Article EIGHTH that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. In any suit brought by Indemnitee to enforce a right to indemnification, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall have the burden of proving that Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article EIGHTH. Indemnitee’s expenses (including attorneys’ fees) reasonably incurred in connection with successfully establishing Indemnitee’s right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation. Notwithstanding the foregoing, in any suit brought by Indemnitee to enforce a right to indemnification hereunder it shall be a defense that the Indemnitee has not met any applicable standard for indemnification set forth in the General Corporation Law of the State of Delaware.

8. Limitations. Notwithstanding anything to the contrary in this Article EIGHTH, except as set forth in Section 7 of this Article EIGHTH, the Corporation shall not indemnify an Indemnitee pursuant to this Article EIGHTH in connection with a proceeding (or part thereof) initiated by such Indemnitee unless the initiation thereof was approved by the Board of Directors. Notwithstanding anything to the contrary in this Article EIGHTH, the Corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund indemnification payments to the Corporation to the extent of such insurance reimbursement.

9. Subsequent Amendment. No amendment, termination or repeal of this Article EIGHTH or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall adversely affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

10. Other Rights. The indemnification and advancement of expenses provided by this Article EIGHTH shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of Indemnitee. Nothing contained in this Article EIGHTH shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article EIGHTH. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article EIGHTH.

11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article EIGHTH to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement to which Indemnitee is entitled.

12. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

13. Savings Clause. If this Article EIGHTH or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or

in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article EIGHTH that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

NINTH: This Article NINTH is inserted for the management of the business and for the conduct of the affairs of the Corporation.

1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

2. Number of Directors; Election of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be established by the Board of Directors. Election of directors need not be by written ballot, except as and to the extent provided in the By-laws of the Corporation.

3. Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board of Directors shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The Board of Directors is authorized to assign members of the Board of Directors already in office to Class I, Class II or Class III at the time such classification becomes effective.

4. Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation's first annual meeting of stockholders held after the effectiveness of this Restated Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation's second annual meeting of stockholders held after the effectiveness of this Restated Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation's third annual meeting of stockholders held after the effectiveness of this Restated Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, resignation or removal.

5. Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed pursuant to Section 2 of this Article NINTH shall constitute a quorum of the Board of Directors. If at any meeting of the Board of Directors there shall be less than such a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

6. Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law or by this Certificate of Incorporation.

7. Removal. Subject to the rights of holders of any series of Preferred Stock, directors of the Corporation may be removed only for cause and only by the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors.

8. Vacancies. Subject to the rights of holders of any series of Preferred Stock, any vacancy or newly created directorship in the Board of Directors, however occurring, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. A director elected to fill a vacancy shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of a successor and to such director's earlier death, resignation or removal.

9. Stockholder Nominations and Introduction of Business, Etc. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the By-laws of the Corporation.

10. Amendments to Article. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article NINTH.

TENTH: Stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article TENTH.

ELEVENTH: Special meetings of stockholders for any purpose or purposes may be called at any time by only the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer of the Corporation, and may not be called by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting. Notwithstanding any other provisions of law, this Certificate of Incorporation or the By-laws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would

be entitled to cast in any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article ELEVENTH.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates, integrates and amends the certificate of incorporation of the Corporation, and which has been duly adopted in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, has been executed by its duly authorized officer this 12th day of November, 2013.

KARYOPHARM THERAPEUTICS INC.

By: /s/ Michael Kauffman

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Name: Michael Kauffman, M.D., Ph.D.

Title: President and Chief Executive Officer

**CERTIFICATE OF AMENDMENT OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
KARYOPHARM THERAPEUTICS INC.**

(Pursuant to Section 242 of the  
General Corporation Law of the State of Delaware)

Karyopharm Therapeutics Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

A resolution was duly adopted by the Board of Directors of the Corporation pursuant to Section 242 of the General Corporation Law of the State of Delaware setting forth a proposed amendment to the Restated Certificate of Incorporation of the Corporation and declaring said amendment to be advisable. The stockholders of the Corporation duly approved said proposed amendment in accordance with Section 242 of the General Corporation Law of the State of Delaware. The resolution setting forth the amendment is as follows:

RESOLVED: That the first sentence of Article FOURTH of the Restated Certificate of Incorporation of the Corporation be and hereby is deleted in its entirety and the following is inserted in lieu thereof:

"FOURTH: The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 205,000,000 shares, consisting of (i) 200,000,000 shares of Common Stock, \$0.0001 par value per share ("Common Stock"), and (ii) 5,000,000 shares of Preferred Stock, \$0.0001 par value per share ("Preferred Stock")."

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IN WITNESS WHEREOF, this Certificate of Amendment has been executed by a duly authorized officer of the Corporation on this 6th day of June, 2019.

**KARYOPHARM THERAPEUTICS INC.**

By: /s/ Michael Kauffman  
Michael Kauffman, M.D., Ph.D.  
Chief Executive Officer

## CERTIFICATIONS

I, Michael Kauffman, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Karyopharm Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL KAUFFMAN

Michael Kauffman, M.D., Ph.D.

Chief Executive Officer

(Principal executive officer)

Date: August 7, 2019

## CERTIFICATIONS

I, Michael Mason, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Karyopharm Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL MASON

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Michael Mason  
Senior Vice President, Chief Financial Officer and Treasurer  
(Principal financial and accounting officer)

Date: August 7, 2019

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

In connection with the Quarterly Report on Form 10-Q of Karyopharm Therapeutics Inc. (the “Company”) for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Michael Kauffman, M.D., Ph.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL KAUFFMAN

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Michael Kauffman, M.D., Ph.D.

*Chief Executive Officer*

*(Principal executive officer)*

Date: August 7, 2019

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

In connection with the Quarterly Report on Form 10-Q of Karyopharm Therapeutics Inc. (the “Company”) for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Michael Mason, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL MASON

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Michael Mason

*Senior Vice President, Chief Financial Officer and Treasurer  
(Principal financial and accounting officer)*

Date: August 7, 2019