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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2022**

☐ 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: 001-39614**

# TARSUS PHARMACEUTICALS, INC.

**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **81-4717861** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **15440 Laguna Canyon Road, Suite 160** | |
| **Irvine, California** | **92618** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(949) 409-9820**
**(Registrant's telephone number, including area code)**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 par value per share | TARS | The Nasdaq Global Market LLC (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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

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

26,658,468 shares of common stock, $0.0001 par value, outstanding as of August 5, 2022.

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**PART I—FINANCIAL INFORMATION**

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**TARSUS PHARMACEUTICALS, INC.**

**CONDENSED BALANCE SHEETS**
**(In thousands, except share and par value amounts)**

| | June 30, 2022 (unaudited) | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 245,363 | $ 171,332 |
| Marketable securities | — | 483 |
| Accounts receivable | 17 | — |
| Other receivables | 603 | 92 |
| Prepaid expenses and other current assets | 4,300 | 4,045 |
| Total current assets | 250,283 | 175,952 |
| Property and equipment, net | 963 | 755 |
| Operating lease right-of-use assets | 813 | 1,074 |
| Long-term investments | 169 | — |
| Other assets | 600 | 1,126 |
| **Total assets** | $ 252,828 | $ 178,907 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable and other accrued liabilities | $ 8,938 | $ 8,680 |
| Accrued payroll and benefits | 2,780 | 2,798 |
| Total current liabilities | 11,718 | 11,478 |
| Term loan, net | 19,262 | — |
| Other long-term liabilities | 343 | 699 |
| **Total liabilities** | 31,323 | 12,177 |
| **Commitments and contingencies (*Note 8*)** | | |
| **Stockholders' equity:** | | |
| Preferred stock, $0.0001 par value; 10,000,000 authorized; no shares issued and outstanding | — | — |
| Common stock, $0.0001 par value; 200,000,000 shares authorized; 26,650,078 shares issued and 26,644,252 outstanding, which excludes 5,826 shares subject to repurchase at June 30, 2022 (unaudited); 20,726,580 shares issued and 20,698,737 outstanding, which excludes 27,840 shares subject to repurchase at December 31, 2021 | 5 | 4 |
| Additional paid-in capital | 294,153 | 213,398 |
| Accumulated deficit | (72,653) | (46,672) |
| **Total stockholders' equity** | 221,505 | 166,730 |
| **Total liabilities and stockholders' equity** | $ 252,828 | $ 178,907 |

See accompanying notes to these unaudited condensed financial statements.

**TARSUS PHARMACEUTICALS, INC.**

**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**
**(Unaudited)**
**(In thousands, except share and per share amounts)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Revenues:** | | | | |
| License fees | $ 13,893 | $ 19,048 | $ 13,893 | $ 52,359 |
| Collaboration revenue | 1,384 | 2,969 | 1,923 | 3,090 |
| Total revenues | 15,277 | 22,017 | 15,816 | 55,449 |
| **Operating expenses:** | | | | |
| Cost of license fees and collaboration revenue | 522 | 737 | 555 | 2,034 |
| Research and development | 9,603 | 7,204 | 21,684 | 23,465 |
| General and administrative | 10,376 | 6,794 | 18,322 | 11,954 |
| Total operating expenses | 20,501 | 14,735 | 40,561 | 37,453 |
| (Loss) income from operations before other (expense) income and income taxes | (5,224) | 7,282 | (24,745) | 17,996 |
| Other (expense) income: | | | | |
| Interest (expense) income, net | (247) | 7 | (563) | 16 |
| Other income (expense), net | 106 | (39) | 143 | (73) |
| Unrealized loss on equity investments | (121) | — | (313) | — |
| Change in fair value of equity warrants issued by licensee | (257) | (876) | (502) | (876) |
| Total other expense, net | (519) | (908) | (1,235) | (933) |
| Provision for income taxes | — | (29) | (1) | (342) |
| Net (loss) income and comprehensive (loss) income | $ (5,743) | $ 6,345 | $ (25,981) | $ 16,721 |
| | | | | |
| Net (loss) income per share, basic | $ (0.24) | $ 0.31 | $ (1.15) | $ 0.81 |
| Net (loss) income per share, diluted | $ (0.24) | $ 0.29 | $ (1.15) | $ 0.76 |
| | | | | |
| Weighted-average shares outstanding, basic | 24,332,531 | 20,555,258 | 22,531,384 | 20,446,246 |
| Weighted-average shares outstanding, diluted | 24,332,531 | 21,966,599 | 22,531,384 | 21,895,304 |

See accompanying notes to these unaudited condensed financial statements.

**TARSUS PHARMACEUTICALS, INC.**

**CONDENSED STATEMENTS OF PREFERRED STOCK AND STOCKHOLDERS' EQUITY**
**(Unaudited)**
**(In thousands, except share data)**

| | Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| **Balance as of December 31, 2021** | — | $ — | 20,698,737 | $ 4 | $ 213,398 | $ (46,672) | $ 166,730 |
| Net loss | — | — | — | — | — | (20,238) | (20,238) |
| Recognition of stock-based compensation expense | — | — | — | — | 2,674 | — | 2,674 |
| Exercise of vested stock options | — | — | 225 | — | — | — | — |
| Issuance of common stock upon the vesting of restricted stock units | — | — | 4,257 | — | — | — | — |
| Lapse of repurchase obligation for stock option exercises, prior to vesting | — | — | 15,309 | — | 31 | — | 31 |
| **Balance as of March 31, 2022** | — | $ — | 20,718,528 | $ 4 | $ 216,103 | $ (66,910) | $ 149,197 |
| Net loss | — | — | — | — | — | (5,743) | (5,743) |
| Recognition of stock-based compensation expense | — | — | — | — | 3,532 | — | 3,532 |
| Issuance of common stock upon follow-on public offering, net of issuance costs of $5,246 | — | — | 5,889,832 | 1 | 74,266 | — | 74,267 |
| Shares issued in connection with the employee stock purchase plan | — | — | 17,874 | — | 222 | | 222 |
| Exercise of vested stock options | — | — | 7,056 | — | 17 | — | 17 |
| Issuance of common stock upon the vesting of restricted stock units | — | — | 4,257 | — | — | — | — |
| Lapse of repurchase obligation for stock option exercises, prior to vesting | — | — | 6,705 | — | 13 | — | 13 |
| **Balance as of June 30, 2022** | — | $ — | 26,644,252 | $ 5 | $ 294,153 | $ (72,653) | $ 221,505 |

| | Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| **Balance as of December 31, 2020** | — | $ — | 20,323,201 | $ 4 | $ 198,821 | $ (32,845) | $ 165,980 |
| Net income | — | — | — | — | — | 10,376 | 10,376 |
| Recognition of stock-based compensation expense | — | — | — | — | 1,363 | — | 1,363 |
| Exercise of vested stock options | — | — | 13,773 | — | 19 | — | 19 |
| Shares issued as consideration for in-license rights | — | — | 187,500 | — | 5,494 | — | 5,494 |
| **Balance as of March 31, 2021** | — | $ — | 20,524,474 | $ 4 | $ 205,697 | (22,469) | $ 183,232 |
| Net income | — | — | — | — | — | 6,345 | 6,345 |
| Recognition of stock-based compensation expense | — | — | — | — | 2,794 | — | 2,794 |
| Lapse of repurchase obligation for stock option exercises, prior to vesting | — | — | 49,222 | — | 99 | — | 99 |
| Exercise of vested stock options | — | — | 255 | — | 1 | — | 1 |
| **Balance as of June 30, 2021** | — | $ — | 20,573,951 | $ 4 | $ 208,591 | (16,124) | $ 192,471 |

See accompanying notes to these unaudited condensed financial statements.

**TARSUS PHARMACEUTICALS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash Flows From Operating Activities:** | | |
| Net (loss) income | $ (25,981) | $ 16,721 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 133 | 189 |
| Amortization and accretion of term loan-related costs | 137 | — |
| Stock-based compensation | 6,206 | 4,157 |
| Non-cash lease expense | 226 | 87 |
| Loss on disposal of property and equipment | — | 70 |
| Loss on lease termination | — | 2 |
| Unrealized loss on equity investments | 313 | — |
| Change in fair value of equity warrants issued by licensee | 502 | 876 |
| Unrealized gain from transactions denominated in a foreign currency | (1) | (8) |
| Issuance of common stock upon in-license agreement milestone achievement | — | 5,494 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (17) | (20,000) |
| Other receivables | (510) | (137) |
| Prepaid expenses and other current assets | (254) | (1,527) |
| Other non-current assets | (75) | (2,326) |
| Accounts payable and other accrued liabilities | (135) | 4,622 |
| Accrued payroll and benefits | (18) | 430 |
| Other long-term liabilities | (71) | 107 |
| Net cash used in operating activities | (19,545) | 8,757 |
| **Cash Flows From Investing Activities:** | | |
| Purchases of property and equipment | (283) | (191) |
| Cash used in investing activities | (283) | (191) |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from issuance of common stock upon follow-on public offering, net of paid issuance costs | 74,570 | — |
| Proceeds from sale of common stock under employee stock purchase plan | 222 | — |
| Proceeds from exercise of vested stock options | 17 | 20 |
| Payment of deferred offering costs | (75) | — |
| Proceeds from term loan | 20,000 | — |
| Payment of term loan issuance costs | (875) | — |
| Net cash provided by financing activities | 93,859 | 20 |
| **Net increase in cash and cash equivalents** | 74,031 | 8,586 |
| **Cash and cash equivalents — beginning of period** | 171,332 | 168,149 |
| **Cash and cash equivalents — end of period** | $ 245,363 | $ 176,735 |
| **Supplemental Disclosures Noncash Investing and Financing Activities:** | | |
| "Interest expense" paid in cash | $ 127 | $ — |
| Additions of "property and equipment, net" included within "accounts payable and other accrued liabilities" | $ 59 | $ — |
| Expensing of "operating lease right-of-use assets" upon lease termination | $ — | $ (38) |
| Stock issued for in-license agreements included within "research and development" expense | $ — | $ 5,494 |
| Deferred offering costs included within "additional-paid in capital" | $ 184 | $ — |
| Deferred offering costs included within "accounts payable and accrued liabilities" | $ — | $ 281 |

See accompanying notes to these unaudited condensed financial statements.

**TARSUS PHARMACEUTICALS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**
**(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)**
**(Unaudited)**

## 1. DESCRIPTION OF BUSINESS AND PRESENTATION OF FINANCIAL STATEMENTS

***(a) Description of Business***

Tarsus Pharmaceuticals, Inc. (“Tarsus” or the “Company”) is a biopharmaceutical company focused on the development and commercialization of therapeutics, starting with eye care.

***(b) Liquidity Overview***

The Company has no product sales and has accumulated losses and negative cash flows from operations since inception (other than consideration received from an out-licensing agreement, as discussed in *Note 9*), resulting in an accumulated deficit of $72.7 million as of June 30, 2022 and $46.7 million as of December 31, 2021. The Company’s cash and cash equivalents were $245.4 million and $171.3 million as of June 30, 2022 and December 31, 2021, respectively. The Company expects to continue to incur operating losses and negative cash flows.

The Company has funded its inception-to-date operations primarily through equity capital raises, proceeds from its out-license agreement, and draw downs on its credit facility. The Company estimates its existing capital resources will be sufficient to meet projected operating expense requirements for at least 12 months from the filing date of the accompanying Condensed Financial Statements in this Form 10-Q; accordingly, these financial statements have been prepared on a "going-concern" basis.

The Company’s operations currently consist of its corporate organization build-out, intellectual property licensing activities, and preclinical and clinical study progression. The Company faces the clinical, business, and liquidity risks that are typically associated with biopharma companies; it must significantly invest in and conduct research and development activities, achieve research and development outcomes that are inherently uncertain, recruit and retain skilled personnel (including executive management), and expand and defend its intellectual property rights.

Management expects the Company to continue to incur losses in the foreseeable future as a result of research and development activities and other operating expenses. The Company may be required to raise additional capital to fund its future operations. However, no assurance can be given as to whether financing will be available on terms acceptable to the Company, if at all. If the Company raises additional funds by issuing equity securities, its stockholders may experience dilution. The Company's Credit Facility imposes additional covenants that restrict operations, including limitations on its ability to incur liens or additional debt, pay dividends, repurchase common stock, make certain investments, or engage in certain merger or asset sale transactions. Any debt financing or additional equity raise may contain terms that are not favorable to the Company or its stockholders. The Company’s potential inability to raise capital when needed could have a negative impact on its financial condition and ability to pursue planned business strategies. If the Company is unable to raise additional funds as required, it may need to delay, reduce, or terminate some or all of its development programs and clinical trials. The Company may also be required to sell or license its rights to product candidates in certain territories or indications that it would otherwise prefer to develop and commercialize on its own. If the Company is required to enter into collaborations and other arrangements to address its liquidity needs, it may have to give up certain rights that limit its ability to develop and commercialize product candidates or may have other terms that are not favorable to the Company or its stockholders, which could materially and adversely affect its business and financial prospects. These factors may adversely impact the Company's ability to achieve its business objectives and would likely have an adverse effect on its future business prospects, or even its ability to remain a going concern.

***(c) Operating Segment***

To date, the Company has operated and managed its business and financial information on an aggregate basis based on its organizational structure, for the purposes of evaluating financial performance and the allocation of capital and personnel resources, consistent with the way operations and investments are centrally managed and evaluated. Accordingly, the Company’s management determined that it operates one reportable operating segment. This single segment is focused exclusively on developing pharmaceutical products for eventual commercialization.

***(d) Emerging Growth Company Status***

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has irrevocably elected to not take this exemption. As a result, it will adopt new or revised accounting standards on the relevant effective dates on which adoption of such standards is required for other public companies that are not emerging growth companies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ESTIMATES

***(i) Basis of Presentation***

The Company's Condensed Financial Statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S.") for interim financial information and pursuant to Form 10-Q and with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, the accompanying Condensed Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements.

The interim Condensed Balance Sheet as of June 30, 2022, the interim Condensed Statements of Operations and Comprehensive (Loss) Income, and Stockholders' Equity for the three and six months ended June 30, 2022 and 2021, and the interim Condensed Cash Flows for the six months ended June 30, 2022 and 2021 are unaudited. These unaudited interim financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments, which consist of only normal and recurring adjustments for the fair presentation of its financial information.

The financial data and other information disclosed in these notes related to the three and six-month periods are also unaudited. The Condensed Balance Sheet as of December 31, 2021 has been derived from the audited financial statements at that date but does not include all information and footnotes required by GAAP for annual financial statements. The condensed interim operating results for three and six months ended June 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022 or any other interim or annual period.

The accompanying interim unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements and the related notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 14, 2022.

The preparation of financial statements in conformity with GAAP and with the rules and regulations of the SEC requires management to make informed estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. These estimates and assumptions involve judgments with respect to numerous factors that are difficult to forecast and may materially differ from the amounts ultimately realized and reported due to the inherent uncertainty of any estimate or assumption.

There have been no significant changes in the Company's significant accounting policies during the three and six months ended June 30, 2022, as compared with those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 14, 2022. The accounting policies and estimates that most significantly impact the presented amounts within the accompanying Condensed Financial Statements are further described below.

***(ii) Cash and Cash Equivalents***

Cash and cash equivalents consist of bank deposits and highly liquid investments, including money market fund accounts, that are readily convertible into cash without penalty, with original maturities of three months or less from the purchase date.

***(iii) Marketable Securities and Long-Term Investments***

As of December 31, 2021, "marketable securities" represents LianBio common stock (see *Note 7*). These shares are reported within "long-term investments" on the Condensed Balance Sheet as of June 30, 2022, reflecting the intent to hold these shares for at least one year from the balance sheet date. These securities are designated as "available-for-sale" with associated

gains or losses reported in "other expense, net" within the Condensed Statements of Operations and Comprehensive (Loss) Income for each reported period.

***(iv) Concentration of Credit Risk and Other Risks and Uncertainties***

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents in deposits at financial institutions that exceed federally insured limits.

In March 2020, the World Health Organization declared a pandemic related to the global novel coronavirus disease 2019 (“COVID-19”) outbreak. The COVID-19 pandemic continues to evolve and its impact on the Company’s business will depend on several factors that are highly uncertain and unpredictable, including the efficacy and adoption of vaccines, future resurgences of the virus and its variants, and the speed at which government restrictions are lifted. To date, the Company’s operations have not been significantly impacted by the COVID-19 pandemic, though the Company continues to monitor the potential impact COVID-19 may have on its ongoing and planned clinical trials. However, the Company cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak may have on these activities or its financial condition.

The Company’s results of operations involve numerous risks and uncertainties. Factors that could adversely impact the Company’s operating results and business objectives include, but are not limited to, (1) uncertainty of results of clinical trials, (2) uncertainty of regulatory approval of the Company’s potential product candidates, (3) uncertainty of market acceptance of its product candidates, (4) competition from substitute products and other companies, (5) securing and protecting proprietary technology and strategic relationships, and (6) dependence on key individuals and sole source suppliers.

The Company’s product candidates require approvals from the U.S. Food and Drug Administration (“FDA”) and comparable foreign regulatory agencies prior to commercial sales in their respective jurisdictions. There can be no assurance that any product candidates will receive the necessary approvals. If the Company is denied approval, approval is delayed, or the Company is unable to maintain approval for any product candidate, it could have a materially adverse impact on its business.

***(v) Revenue Recognition for Out-License Arrangements***

***Overview***

The Company currently has one out-license arrangement that allows the third-party licensee to market the TP-03 product candidate (representing "functional intellectual property") in certain territories for a certain field of use and for a stated term - see *Note 9*. The accounting and reporting of revenue for out-license arrangements requires significant judgment for: (a) identification of the number of performance obligations within the contract, (b) the contract’s transaction price for allocation (including variable consideration), (c) the stand-alone selling price for each identified performance obligation, and (d) the timing and amount of revenue recognition in each period.

The Company's out-license arrangement, as described in *Note 9*, was analyzed under GAAP to determine whether the promised goods or services (which include the license, and know-how, data, and information necessary or reasonably useful for the research, development, manufacture, or commercialization of any licensed product, and governance committee services) are distinct or must be accounted for as part of a combined performance obligation. In making these assessments, the Company considers factors such as the stage of development of the underlying intellectual property and the capabilities of the customer to develop the intellectual property on their own, and/or whether the required expertise is readily available. If the license is considered to not be distinct, the license is combined with other promised goods or services as a combined performance obligation for revenue recognition.

The Company's out-license arrangement includes the following forms of consideration: (i) non-refundable upfront license payments, (ii) equity-based consideration, (iii) sales-based royalties, (iv) sales threshold milestones, (v) development milestone payments, and (vi) regulatory milestone payments. Revenue is recognized in proportion to the allocated transaction price when (or as) the respective performance obligation is satisfied. The Company evaluates the progress related to each milestone at each reporting period and, if necessary, also adjusts the probability of achievement and related revenue recognition. The measure of progress, and thereby periods over which revenue is recognized, is subject to estimates by management and may change over the course of the respective agreement.

***Contractual Terms for Receipt of Payments***

The contractual terms that establish the Company's right to collect specified amounts from its customers and that require contemporaneous evaluation and documentation under GAAP for the corresponding timing and amount of revenue recognition, are as follows:

(1) ***Upfront License Fees:*** The Company determines whether non-refundable license fee consideration is recognized at the time of contract execution (i.e., when the license is transferred to the customer and the customer is able to use and benefit from the license) or over the actual (or implied) contractual period of the out-license. The Company also evaluates whether it has any other requirements to provide substantive services that are inseparable from the performance obligation of the license transfer to determine whether any combined performance obligation is satisfied over time or at a point in time. Upfront payments may require deferral of revenue recognition to a future period until the Company performs obligations under these arrangements.

(2) ***Development Milestones:*** The Company utilizes the "most likely amount" method to estimate the amount of consideration to which it will be entitled for achievement of development milestones as these represent variable consideration. For those payments based on development milestones (e.g., patient dosing in a clinical study or the achievement of statistically significant clinical results), the Company assesses the probability that the milestone will be achieved, including its ability to control the timing or likelihood of achievement, and any associated revenue constraint. Given the high degree of uncertainty around the occurrence of these events, the Company determines the milestone and other contingent amounts to be "constrained" until the uncertainty associated with these payments is resolved. At each reporting period, the Company re-evaluates this associated revenue recognition constraint. Any resulting adjustments are recorded to revenue on a cumulative catch-up basis, and reflected in the financial statements in the period of adjustment.

(3) ***Regulatory Milestones:*** The Company utilizes the "most likely amount" method to estimate the consideration to which it will be entitled and recognizes revenue in the period regulatory approval occurs (the performance obligation is satisfied) as these represent variable consideration. Amounts constrained as variable consideration are included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company evaluates whether the milestones are considered probable of being reached and not otherwise "constrained." Accordingly, due to the inherent uncertainty of achieving regulatory approval, associated milestones are deemed constrained for revenue recognition until achievement.

(4) ***Royalties:*** Under the "sales-or-usage-based royalty exception" the Company recognizes revenue based on the contractual percentage of the licensee's sale of products to its customers at the later of (i) the occurrence of the related product sales or (ii) the date upon which the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied. To date, the Company has not recognized any royalty revenue from its out-licensing arrangements.

(5) ***Sales Threshold Milestones:*** Similar to royalties, applying the "sales-or-usage-based royalty exception", the Company recognizes revenue from sales threshold milestones at the later of (i) the period the licensee achieves the one-time annual product sales levels in their territories for which the Company is contractually entitled to a specified lump-sum receipt, or (ii) the date upon which the performance obligation to which some or all of the milestone has been allocated has been satisfied or partially satisfied. To date, the Company has not recognized any sales threshold milestone revenue from out-licensing arrangements.

The Company re-evaluates the measure of progress to each performance obligation in each reporting period as uncertain events are resolved and other changes in circumstances occur. A "performance obligation" is a promise in a contract to transfer a distinct good or service and is the unit of accounting. A contract's "transaction price" is allocated among each distinct performance obligation based on relative standalone selling price and recognized when, or as, the applicable performance obligation is satisfied.

***(vi) Research and Development Costs***

Research and development costs are expensed as incurred or as certain upfront or milestone payments become contractually due to licensors upon the achievement of clinical or regulatory events. These expenses also include internal costs directly attributable to in-development programs, including cost of certain salaries, payroll taxes, employee benefits, and stock-based compensation expense, as well as laboratory and clinical supplies, pre-clinical and clinical trial related expenses, clinical manufacturing costs, and the cost of services provided by outside contractors. The Company recognizes expense for pre-clinical studies and clinical trial activities performed by these third parties. This is typically based upon estimates of the proportion of work completed over the term of the individual study or trial, as well as patient enrollment and dosing events in accordance with agreements established with clinical research organizations (CROs) and clinical trial or pre-clinical study sites.

The Company has entered, and may continue to enter into, license agreements to access and utilize intellectual property for drug development. In each case, the Company evaluates if the assets acquired in a transaction represent the acquisition of an asset or a business, as defined under applicable GAAP. The Company's executed in-license agreements (see *Note 8(b)*) were evaluated and determined to represent asset acquisitions. Because these assets have not yet received regulatory approval and have no alternative future use, the purchase price for each was immediately recognized as research and development expense. In addition, any future milestone payments (whether in the form of cash or stock) made before product regulatory approval (that do not meet the definition of a derivative) will also be immediately recognized as research and development expense when paid or becomes payable, provided there is no alternative future use of the rights in other research and development projects.

***(vii) Stock-Based Compensation***

The Company recognizes stock-based compensation expense for equity awards granted to employees, consultants, and members of its Board of Directors. The Black-Scholes pricing model is used to estimate the fair value of stock option awards as of the date of grant. The fair value of restricted stock units is representative of the closing share price preceding the date of grant.

For stock-based awards that vest subject to the satisfaction of a service requirement, the related expense is recognized on a straight-line basis over each award's actual or implied vesting period. For stock-based awards that vest subject to a performance condition, the Company recognizes related expense on an accelerated attribution method, if and when it concludes that it is highly probable that the performance condition will be achieved. As applicable, the Company reverses previously recognized expense for unvested awards in the same period of forfeiture.

The measurement of the fair value of stock option awards and recognition of stock-based compensation expense requires assumptions to be estimated by management that involve inherent uncertainties and the application of management's judgment, including (a) the fair value of the Company's common stock on the date of the option grant for all awards granted prior to its October 2020 Initial Public Offering ("IPO"), (b) the expected term of the stock option until its exercise by the recipient, (c) stock price volatility over the expected term, (d) the prevailing risk-free interest rate over the expected term, and (e) expected dividend payments over the expected term.

Management estimates the expected term of awarded stock options utilizing the "simplified method" for awards as the Company does not yet have sufficient exercise history since its November 2016 corporate formation. Additionally, the Company lacks company-specific historical and implied volatility information of its stock since its IPO. Accordingly, management estimated this expected volatility based on a designated peer-group of publicly-traded companies for a look-back period, as of the date of grant, that corresponded with the expected term of the awarded stock option. The Company estimates the risk-free interest rate based upon the U.S. Department of the Treasury yield curve in effect at award grant for time periods that correspond with the expected term of the awarded stock option. The Company's expected dividend yield is zero because it has never paid cash dividends and does not expect to for the foreseeable future.

The fair value of the Company's common stock is based on the closing quoted market price of its common stock as reported by the Nasdaq Global Select Market on the date of grant.

All stock-based compensation expense is reported in the Statements of Operations and Comprehensive (Loss) Income within "research and development" expense or "general and administrative" expense, based upon the assigned department of the award recipient.

***(viii) Net (Loss) Income per Share***

Basic net (loss) income per share is calculated by dividing the net (loss) income by the weighted-average number of shares of common stock outstanding for the period, without consideration for potential dilutive shares of common stock. Diluted net (loss) income per share is computed by dividing the net (loss) income by the weighted-average number of common stock equivalents outstanding for the period determined using the "treasury-stock method" and "if-converted method" as applicable.

The Company's "participating securities" include unvested common stock awards issued upon early exercise of certain stock options, as early exercised unvested common stock awards have a non-forfeitable right to dividends. The Company's participating securities do not have a contractual obligation to share in the Company's losses, so in periods of net losses, the "two-class method" of calculating basic and diluted earnings per share is not required. In periods of net income, basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Also, net income is attributed to both common stockholders and participating security holders, and therefore, net income is allocated to shares of common stock and participating securities, as if all of the earnings for the period had been distributed. Diluted earnings per share under the two-class method is calculated using the more dilutive of the treasury stock or the two-class method.

Due to a net loss for the three and six months ended June 30, 2022, all otherwise potentially dilutive securities are antidilutive, and accordingly, the reported basic net loss per share equals the reported diluted net loss per share in this period.

***(ix) Fair Value Measurements***

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are publicly accessible at the measurement date.
- *Level 2:* Observable prices that are based on inputs not quoted on active markets, but that are corroborated by market data. These inputs may include quoted prices for similar assets or liabilities or quoted market prices in markets that are not active to the general public.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts for financial instruments consisting of cash and cash equivalents, accounts payable and accrued liabilities approximate fair value due to the short maturities for each. The Company's equity warrant holdings are carried at fair value based on unobservable market inputs (see *Note 7*).

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels for certain assets or liabilities within the fair value hierarchy. The Company did not have any transfers of assets and liabilities between the levels of the fair value measurement hierarchy during the years presented.

***(x) Comprehensive (Loss) Income***

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

Comprehensive (loss) income represents all changes in stockholders' equity, except those resulting from distributions to stockholders. For all periods presented in the accompanying Condensed Financial Statements, comprehensive (loss) income was the same as reported net (loss) income.

***(xi) Recently Issued or Effective Accounting Standards***

Recently issued or effective accounting pronouncements that impact, or may have an impact, on the Company's financial statements have been discussed within the footnote to which each relates. Other recent accounting pronouncements not disclosed in these Condensed Financial Statements have been determined by the Company's management to have no impact, or an immaterial impact, on its current and expected future financial position, results of operations, or cash flows.

**3. BALANCE SHEET ACCOUNT DETAIL**

The composition of selected captions within the accompanying Condensed Balance Sheets are summarized below:

***(a) Property and Equipment, Net***

"Property and equipment, net" consists of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Furniture and fixtures | $ 596 | $ 596 |
| Office equipment | 197 | 84 |
| Laboratory equipment | 167 | 167 |
| Leasehold improvements | 357 | 129 |
| Property and equipment, at cost | 1,317 | 976 |
| (Less): Accumulated depreciation and amortization | 354 | 221 |
| Property and equipment, net | $ 963 | $ 755 |

Depreciation expense (included within "total operating expenses" in the accompanying Condensed Statements of Operations and Comprehensive (Loss) Income) for the three months ended June 30, 2022 and 2021 was $92 thousand and $125 thousand, respectively, and for the six months ended June 30, 2022 and 2021 was $133 thousand and $189 thousand, respectively.

***(b) Other Assets***

"Other assets" consists of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Deposits | $ 71 | $ 71 |
| Equity warrants issued by licensee (*Note 7*) | 264 | 663 |
| Other long-term assets | 265 | 392 |
| Other assets | $ 600 | $ 1,126 |

***(c) Accounts Payable and Other Accrued Liabilities***

"Accounts payable and other accrued liabilities" consists of the following:

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade accounts payable and other | $ 4,093 | $ 2,856 |
| Operating lease liability, current | 605 | 609 |
| Accrued clinical studies | 4,068 | 4,407 |
| Contract liability | — | 697 |
| Accrued interest, current | 160 | — |
| Income taxes payable | — | 55 |
| Employee stock option pre-vesting exercise liability | 12 | 56 |
| Accounts payable and other accrued liabilities | $ 8,938 | $ 8,680 |

***(d) Other Long-Term Liabilities***

"Other long-term liabilities" consists of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Operating lease liability, non-current | $ 300 | $ 585 |
| Lotilaner licensor liability | 43 | 114 |
| Other long-term liabilities | $ 343 | $ 699 |

**4. STOCKHOLDERS' EQUITY AND EQUITY INCENTIVE PLANS**

***Common Stock Outstanding and Reserves for Future Issuance***

As of June 30, 2022, the Company had 26.7 million and 26.6 million common shares issued and outstanding, respectively. As of December 31, 2021, the Company had 20.7 million common shares issued and outstanding, respectively. Each share of common stock is entitled to one vote.

The Company's outstanding equity awards and shares reserved for future issuance under its 2020 and 2016 Equity Incentive Plans and 2020 Employee Stock Purchase Plan is summarized below:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Common stock awards reserved for future issuance under 2020 and 2016 Equity Incentive Plans | 8,678,128 | 9,266,200 |
| Common stock awards reserved for future issuance under the 2020 Employee Stock Purchase Plan | 2,682,601 | 2,493,488 |
| Stock options issued and outstanding under 2020 and 2016 Equity Incentive Plans | 3,739,078 | 2,759,830 |
| Restricted stock units outstanding under 2020 Equity Incentive Plan | 440,737 | 17,251 |
| Total shares of common stock reserved | 15,540,544 | 14,536,769 |

***Follow-On Public Offering***

On May 5, 2022, the Company completed a follow-on public offering under its Shelf Registration Statement for an initial underwritten sale of 5,600,000 shares of its common stock at a price of $13.50 per share. This resulted in gross proceeds of $75.6 million, before underwriting discounts, commissions and other estimated offering expenses, for net proceeds of $70.6 million.

The Company also granted the underwriters a 30-day option to purchase up to 840,000 additional shares of its common stock at the public offering price, less underwriting discounts and commissions. On June 1, 2022, the underwriters partially exercised this option by purchasing an additional 289,832 shares of the Company's common stock at the public offering price of $13.50 per share for additional gross proceeds of $3.9 million, before underwriting discounts and commissions for net proceeds of $3.7 million.

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

After giving effect to the exercise of the underwriters' option, the Company sold 5,889,832 shares for total gross proceeds of $79.5 million, before underwriting discounts, commissions and other estimated offering expenses. Total net proceeds during the second quarter of 2022 from this offering were $74.3 million.

## 5. STOCK-BASED COMPENSATION

***Stock-Based Compensation Summary***

Stock-based compensation expense is recorded to "research and development" or "general and administrative" expenses in the accompanying Condensed Statements of Operations and Comprehensive (Loss) Income, based on the functional role of each recipient. Stock-based compensation expense for the three and six months ended June 30, 2022 and 2021 was reported as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Research and development | $ 984 | $ 427 | $ 1,662 | $ 771 |
| General and administrative | 2,548 | 2,367 | 4,544 | 3,386 |
| Total stock-based compensation | $ 3,532 | $ 2,794 | $ 6,206 | $ 4,157 |

## 6. NET (LOSS) INCOME PER SHARE

The following table sets forth the computation of basic and diluted net (loss) income per share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Basic EPS** | | | | |
| Net (loss) income | $ (5,743) | $ 6,345 | $ (25,981) | $ 16,721 |
| Less: undistributed income allocated to participating securities | — | 46 | — | 133 |
| Net (loss) income available to common shareholders | $ (5,743) | $ 6,299 | $ (25,981) | $ 16,588 |
| | | | | |
| Basic weighted average shares outstanding | 24,332,531 | 20,555,258 | 22,531,384 | 20,446,246 |
| Net (loss) income per share—basic | $ (0.24) | $ 0.31 | $ (1.15) | $ 0.81 |
| | | | | |
| **Diluted EPS** | | | | |
| Net (loss) income | $ (5,743) | $ 6,345 | $ (25,981) | $ 16,721 |
| Less: undistributed income reallocated to participating securities | — | 43 | — | 124 |
| Net (loss) income available to common shareholders | $ (5,743) | $ 6,302 | $ (25,981) | $ 16,597 |
| | | | | |
| Basic weighted average shares outstanding | 24,332,531 | 20,555,258 | 22,531,384 | 20,446,246 |
| Effect of dilutive securities: | | | | |
| Common stock options | — | 1,411,341 | — | 1,449,058 |
| Diluted weighted average shares outstanding | 24,332,531 | 21,966,599 | 22,531,384 | 21,895,304 |
| Net (loss) income per share—diluted | $ (0.24) | $ 0.29 | $ (1.15) | $ 0.76 |

The following outstanding potentially dilutive securities were excluded from the calculation of diluted net loss per share because their impact under the "treasury stock method" and "if-converted method" would have been anti-dilutive for the periods presented:

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

| | Three Months Ended June 30, | | Six Months Ended June 30, 2022 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Stock options, unexercised—vested and unvested | 3,739,078 | 803,238 | 3,739,078 | 803,238 |
| Stock options exercised prior to vesting— remaining unvested | 5,826 | 130,153 | 5,826 | 130,153 |
| Restricted stock units—unvested | 440,737 | 4,257 | 440,737 | 4,257 |
| Total | 4,185,641 | 937,648 | 4,185,641 | 937,648 |

## 7. FAIR VALUE MEASUREMENTS

The table below summarizes certain financial instruments measured at fair value that are included within the accompanying balance sheets, and their designation among the three fair value measurement categories (see *Note 2(ix)*):

| | June 30, 2022 Fair Value Measurements | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Money market funds | $ 245,363 | $ — | $ — | $ 245,363 |
| Common stock in LianBio (included in "long-term investments") | 169 | — | — | 169 |
| Equity warrants in LianBio (included in "other assets") | — | — | 264 | 264 |
| Total assets measured at fair value | $ 245,532 | $ — | $ 264 | $ 245,796 |

| | December 31, 2021 Fair Value Measurements | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets:** | | | | |
| Money market funds | $ 171,332 | — | — | $ 171,332 |
| Common stock in LianBio (included in "marketable securities") | 483 | — | — | $ 483 |
| Equity warrants in LianBio (included in "other assets") | — | — | 663 | $ 663 |
| Total assets measured at fair value | $ 171,815 | $ — | $ 663 | $ 172,478 |

***Money Market Funds***

Money market fund holdings are included in "cash and cash equivalents" on the accompanying Condensed Balance Sheets and are classified within *Level 1* of the fair value hierarchy because they have readily-available market prices in active markets that are publicly observable at the measurement date. These money market funds are invested in U.S. Treasury bills and notes and other securities issued or guaranteed as to principal and interest by the U.S. Government or its agencies.

***Equity Warrants***

In March 2021, contemporaneous with the China Out-License transaction (see *Note 9*), the Company and LianBio, executed a warrant agreement for the Company to purchase, in three tranches, a stated number of common shares in LianBio, a pharmaceutical company focused on the Greater China and other Asian markets (NASDAQ: LIAN). These warrants vest or have vested upon the achievement of certain clinical and regulatory events and have an exercise price at common stock par value.

In June 2021, one of these three warrant tranches vested and converted to 78,373 shares of LianBio common stock, reported within "marketable securities" as of December 31, 2021, and within "long-term investments" as of June 30, 2022. LianBio common stock is classified within *Level 1* of the fair value hierarchy, given its publicly reported price on the NASDAQ Global Market.

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

In May 2022, the second warrant tranche vested, but has not yet been exercised, leaving one remaining unvested tranche. The second and third warrant tranche remain classified as *Level 3* in the fair value measurement hierarchy as of June 30, 2022 and December 31, 2021 and is presented within "other assets" in the accompanying Condensed Balance Sheets (see *Note 3(b)*). The most significant assumptions used in the option pricing valuation model as of each balance sheet date to determine its fair value included: LianBio common stock volatility (based on the historical volatility of similar companies), the probability of regulatory milestone achievement for vesting, and the application of an assumed discount rate.

The estimated fair value of these equity warrants will be remeasured each reporting period with adjustments reported within "other expense, net" on the accompanying Statements of Operations and Comprehensive (Loss) Income, until exercised or expired, and is presented in these accompanying financial statements as follows:

| | Value of equity warrants (see Note 3(b)) |
|---|---|
| **Fair value as of December 31, 2021** | $ 663 |
| Revaluation of equity warrant value in "other expense, net" within the Condensed Statement of Operations | (245) |
| **Fair value as of March 31, 2022** | $ 418 |
| Recognition of equity warrant value in "total revenues" within the Condensed Statement of Operations for the three months ended June 30, 2022 | 103 |
| Revaluation of equity warrant value in "other expense, net" within the Condensed Statement of Operations for the three months ended June 30, 2022 | (257) |
| **Fair value as of June 30, 2022** | $ 264 |

| | Value of equity warrants (see Note 3(b)) |
|---|---|
| **Fair value as of December 31, 2020** | $ — |
| Initial fair value estimate of equity warrant value in "total revenues" | 1,233 |
| **Fair value as of March 31, 2021** | $ 1,233 |
| Recognition of equity warrant value in "total revenues" within the Condensed Statement of Operations for the three months ended June 30, 2021 | 719 |
| Revaluation of equity warrant value in "other expense, net" within the Condensed Statement of Operations for the three months ended June 30, 2021 | (876) |
| **Fair value as of June 30, 2021** | $ 1,076 |

## 8. COMMITMENTS & CONTINGENCIES

### (a) Facility Leases

***Overview***

In the ordinary course of business, the Company enters lease agreements with unaffiliated third parties for facilities and office equipment. As of June 30, 2022 and December 31, 2021, the Company had four active leases in Irvine, California for adjacent office and laboratory suites that each expire on January 31, 2024.

The Company's operating leases have annual rent that is payable monthly and carry fixed annual increases. Under these arrangements the Company is responsible for real estate taxes, certain operating expenses, and common area maintenance. Since these costs are variable in nature, they are expensed as incurred and excluded from the reported amounts on the accompanying Condensed Balance Sheets, summarized below. During the year ended December 31, 2021, and the six months ended June 30, 2022, the Company had no sublease arrangements with it as lessor.

***Financial Reporting Captions***

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

The below table summarizes the lease asset and liability accounts presented on the accompanying Condensed Balance Sheets:

| Operating Leases | Condensed Balance Sheet Caption | June 30, 2022 | December 31, 2021 |
|---|---|---|---|
| Operating lease right-of-use assets— non-current | Operating lease right-of-use assets | $ 813 | $ 1,074 |
| | | | |
| Operating lease liability— current | Accounts payable and other accrued liabilities | $ 605 | $ 609 |
| Operating lease liability— non-current | Other long-term liabilities | 300 | 585 |
| Total lease liabilities | | $ 905 | $ 1,194 |

***Components of Lease Expense***

The liability associated with each lease is amortized over the respective lease term using the “effective interest rate method.” The Company’s "operating lease right-of-use assets" are amortized over each lease term on a straight-line basis to lease expense and is allocated to "research and development" and "general and administrative" expenses in the accompanying Condensed Statements of Operations and Comprehensive (Loss) Income. The Company combines lease and non-lease components in the recognition of lease expense. The components of total lease cost were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Operating lease cost | $ 142 | $ 60 | $ 285 | $ 120 |
| Variable lease cost | 62 | 11 | 101 | 71 |
| Short-term lease cost | — | 63 | — | 95 |
| Total lease cost | $ 204 | $ 134 | $ 386 | $ 286 |

***Weighted-Average Remaining Lease Term and Applied Discount Rate***

As of June 30, 2022, the Company's facility leases had a weighted average remaining lease term of 1 year, 7 months. The weighted-average estimated incremental borrowing rate of 10% was utilized to present value future minimum lease payments since an implicit interest rate in each at-market lease agreement was not determinable.

***Future Contractual Lease Payments***

The below table summarizes the (i) minimum lease payments over the next five years and thereafter, (ii) lease arrangement imputed interest, and (iii) present value of future lease payments:

| Operating Leases - Future Payments | June 30, 2022 |
|---|---|
| 2022 (remaining six months) | $ 164 |
| 2023 | 761 |
| 2024 | 66 |
| 2025 | — |
| 2026 | — |
| Total future lease payments, undiscounted | $ 991 |
| (Less): Imputed interest | (86) |
| Present value of operating lease payments | $ 905 |

**(b) In-License Agreements for Lotilaner**

***January 2019 Agreement for Skin and Eye Disease or Conditions in Humans***

In January 2019, the Company entered into a license agreement with Elanco Tiergesundheit AG (“Elanco”) for exclusive worldwide rights to certain intellectual property for the development and commercialization of lotilaner in the treatment or cure of any eye or skin disease or condition in humans, as amended in June 2022 (the "Eye and Derm Elanco Agreement"). The Company has sole financial responsibility for related development, regulatory, and commercialization activities.

The Company made a $1.0 million upfront payment at execution of the Eye and Derm Elanco Agreement in January 2019, and also made a required $1.0 million clinical milestone payment in September 2020, associated with the first two U.S. pivotal trials for the treatment of Demodex blepharitis. The Company paid an additional $2.0 million for its second pivotal trial milestone in April 2021, which was recorded in “research and development” expense in the accompanying Statements of Operations and Comprehensive Loss for the three months ended June 30, 2021. As part of the China Out-License discussed in *Note 9*, the Company made a contractual payment in the amount of $2.5 million to Elanco following the receipt of $25 million of initial proceeds from LianBio during the second quarter of 2021. In June 2022, the Company made a contractual prepayment of $1.5 million that can be applied towards any milestones that become due under the Eye and Derm Elanco Agreement and/or the All Human Uses Elanco Agreement. This prepayment is included within "prepaid expenses and other current assets" on the accompanying Condensed Balance Sheet as of June 30, 2022.

The Company may make further cash payments to Elanco under the Eye and Derm Elanco Agreement upon achievement of certain clinical milestones in the treatment of human skin diseases using lotilaner for an aggregate maximum of $3.0 million and various commercial and sales threshold milestones for an aggregate maximum of $79.0 million. In addition, the Company will be obligated to pay tiered contractual royalties to Elanco in the mid to high single digits of its net sales. If the Company receives certain types of payments from its sublicensees, it will be obligated to pay Elanco a variable percentage in the low to mid double-digits of such proceeds, except for territories in which it achieved applicable regulatory approval prior to sublicense execution.

***September 2020 Agreement for All Other Diseases or Conditions in Humans***

In September 2020, the Company executed an expanded in-license agreement with Elanco, granting it a worldwide license to certain intellectual property for the development and commercialization of lotilaner for the treatment, palliation, prevention, or cure of "all other" diseases and conditions in humans (i.e., beyond that of the eye or skin), as amended in June 2022 (the “All Human Uses Elanco Agreement”). In September 2020, the Company issued Elanco 222,460 shares of its common stock at the execution of the All Human Uses Elanco Agreement with an estimated fair value of $3.1 million ($14.0003 per share, approximating the issuance price of the Company's Series C preferred stock in September 2020).

The Company is required to make cash payments to Elanco under the All Human Uses Elanco Agreement upon the achievement of various clinical milestones for an aggregate maximum of $4.5 million and various commercial and sales threshold milestones for an aggregate maximum of $77.0 million. In addition, the Company will be obligated to pay contractual royalties to Elanco in the single digits of its net product sales. If the Company receives certain types of payments from its sublicensees, it will also be obligated to pay Elanco a variable percentage in the low to mid double-digits of such proceeds, except for territories in which it achieved applicable regulatory approval prior to sublicense execution.

In March 2021, the Company entered into the China Out-License agreement with LianBio (see *Note 9*) that required it to grant Elanco an additional fixed 187,500 shares of its common stock that otherwise would have been issuable no later than the 18-month anniversary of the All Human Uses Elanco Agreement for its continued license exclusivity. These issued shares were valued at $5.5 million, based on the Company's stock closing price of $29.30 per share on the date this issuance became contractually required and is reported within "research and development" expense within the accompanying Condensed Statements of Operations and Comprehensive (Loss) Income for the six months ended June 30, 2021.

**(c) Employment Agreements**

The Company has entered into employment agreements with eight of its executive officers. These agreements provide for the payment of certain benefits upon separation of employment under specified circumstances, such as termination without cause, or termination in connection with a change in control event.

**(d) Litigation Contingencies**

From time to time, the Company may be subject to various litigation and related matters arising in the ordinary course of business. The Company is currently not aware of any such matters where there is at least a reasonable probability that a material loss, if any, has been or will be incurred for financial statement recognition.

**(e) Indemnities and Guarantees**

The Company has certain indemnity commitments, under which it may be required to make payments to its officers and directors in relation to certain transactions to the maximum extent permitted under applicable laws. The duration of these indemnities vary, and in certain cases, are indefinite and do not provide for any limitation of maximum payments. The Company has not been obligated to make any such payments to date and no liabilities have been recorded for this contingency in the accompanying Condensed Balance Sheets.

**9. OUT-LICENSE AGREEMENT**

***Out-License of TP-03 Commercial Rights in Greater China in March 2021***

On March 26, 2021, the Company entered into an out-license agreement with LianBio for its exclusive development and commercialization rights of TP-03 (lotilaner ophthalmic solution, 0.25%) in the People's Republic of China, Hong Kong, Macau, and Taiwan (the "China Territory") for the treatment of Demodex blepharitis and Meibomian Gland Disease (the "China Out-License"). LianBio is contractually responsible for all clinical development and commercialization activities and costs within the China Territory.

Through June 30, 2022, the Company received payments from LianBio totaling $70.0 million that is comprised of initial consideration of $25.0 million and $45.0 million for the achievement of three clinical development milestones, including $15.0 million received in June 2022.

The Company is eligible to receive further consideration from LianBio upon the achievement of additional milestones, including: (i) TP-03 clinical development and regulatory milestones of up to $30.0 million, (ii) expected drug supply agreement milestone of $5.0 million, (iii) TP-03 sales-based milestones for the China Territory of up to $100 million, (iv) tiered mid-to-high-teen royalties for China Territory TP-03 product sales, and (v) LianBio equity, subject to regulatory milestone achievement for vesting.

For the three and six months ended June 30, 2022 and 2021, the Company reported "license fees" and "collaboration revenue" in the accompanying Condensed Statements of Operations and Comprehensive (Loss) Income, in accordance with the revenue recognition accounting policy described in *Note 2(vii).* Reported revenue in each presented period relates to the satisfaction performance obligations relating to (i) the transfer of TP-03 license rights in the China Territory to LianBio and (ii) the completion of clinical activities and providing LianBio with the related data for its pivotal trials of TP-03 in the treatment of Demodex blepharitis.

**10. CREDIT FACILITY AGREEMENT**

On February 2, 2022, the Company executed the Credit Facility with Hercules and SVB that expires on February 2, 2027. The Credit Facility provides an aggregate principal amount of up to $175.0 million with tranched availability as follows: $40.0 million at its execution (to-date, $20.0 million drawn February 2022), $25.0 million upon submission of a New Drug Application ("NDA") with the FDA for TP-03, $35.0 million upon FDA approval of TP-03, $50.0 million upon achievement of product net revenue thresholds, and $25.0 million upon lender approval.

Each of these tranches may be drawn down in $5.0 million increments at the Company's election. The Credit Facility requires interest-only payments through February 1, 2026, followed by 12 months of principal amortization, unless extended for one year to its maturity, upon meeting certain contractual conditions. All unpaid amounts under the Credit Facility become due on its February 2, 2027 expiry.

(all tabular amounts presented in thousands, except share, per share, per unit, and number of years)

Principal draws accrue interest on the outstanding principal balance at a floating interest rate per annum equal to the *greater of* either (i) The Wall Street Journal ("WSJ") prime rate *plus* 5.20% or (ii) 8.45%. At the execution date of the Credit Facility, the WSJ prime rate was 3.25% and further increased during 2022 to 4.75% as of June 30, 2022.

The Company is required to pay a fee upon the *earlier of* (i) February 2, 2027 or (ii) the date the Company prepays, in full or in part, the outstanding principal balance of the Credit Facility ("End of Term Charge"). The current End of Term Charge of $1.0 million was derived at the execution of the Credit Facility by *multiplying* 4.75% by the $20.0 million drawn at closing and is accreted to "interest expense" through maturity.

As of June 30, 2022, the carrying value of the Credit Facility (reported as "term loan, net" on the accompanying Condensed Balance Sheets) consisted of $20.0 million principal outstanding *less* legal and administrative issuance costs of approximately $0.9 million that were recorded as a *contra-liability* to the "term loan, net" and accreted to "interest expense" using the *effective interest method* during its term.

The calculated effective interest rate (i.e., coupon rate and other applicable fees) during the term of the credit facility was 10.90% for the six months ended June 30, 2022. As of December 31, 2021 the Company had no outstanding debt.

During the three and six months ended June 30, 2022, the Company recognized "interest expense" on its Condensed Statement of Operations and Comprehensive (Loss) Income in connection with the Credit Facility as follows:

| | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 |
|---|---|---|
| Interest expense for term loan | $ 462 | $ 736 |
| Accretion of end of term charge | 48 | 79 |
| Amortization of debt issuance costs | 35 | 59 |
| Total interest expense related to term loan | $ 545 | $ 874 |

The principal balance of this term loan and related accretion and amortization as of June 30, 2022, were as follows:

| | June 30, 2022 |
|---|---|
| Term loan, gross (amount drawn) | $ 20,000 |
| Debt issuance costs (legal and other administrative fees) | (875) |
| Accretion of end of term charge | 79 |
| Accumulated amortization of debt issuance costs | 58 |
| Term loan, net | $ 19,262 |

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

**Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains certain forward-looking statements. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, future revenue, business strategy, product candidates, planned preclinical studies and clinical trials, results of clinical trials, research and development costs, regulatory approvals, timing and likelihood of success, as well as plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that are in some cases beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words “anticipate,” “believe,” contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would,” or the negative of these terms or other similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ from expected results, include, among others:

- the likelihood of our clinical trials demonstrating safety and efficacy of our product candidates, and other positive results;
- the timing and progress of our current clinical trials and timing of initiation of our future clinical trials, and the reporting of data from our current and future trials;
- our plans relating to the clinical development of our current and future product candidates, including the size, number and disease areas to be evaluated;
- the prevalence of Demodex blepharitis and the size of the market opportunity for our product candidates;
- the rate and degree of market acceptance and clinical utility of our product candidates;
- our plans relating to commercializing our product candidates, if approved, including sales strategy;
- the impact of COVID-19 on our business and operations;
- the success of competing therapies that are or may become available;
- our estimates of the number of patients in the United States ("U.S.") or globally, as applicable, who suffer from Demodex blepharitis, Meibomian Gland Disease ("MGD"), rosacea, Lyme disease and malaria and the number of patients that will enroll in our clinical trials;
- the beneficial characteristics, safety, efficacy, therapeutic effects and potential advantages of our product candidates;
- the timing or likelihood of regulatory filings and approval for our product candidates;
- our ability to obtain and maintain regulatory approval of our product candidates and our product candidates to meet existing or future regulatory standards;
- our plans relating to the further development and manufacturing of our product candidates, including additional indications for which we may pursue;
- our ability to identify additional products, product candidates or technologies with significant commercial potential that are consistent with our commercial objectives;
- the expected potential benefits of strategic collaborations with third parties (including, for example, the receipt of payments, achievement and timing of milestones under license agreements, and the ability of our third party collaborators to commercialize our product candidates in the territories under license) and our ability to attract collaborators with development, regulatory and commercialization expertise;
- existing regulations and regulatory developments in the U.S. and other jurisdictions;
- our plans and ability to obtain or protect intellectual property rights, including extensions of existing patent terms where available;
- our continued reliance on third parties to conduct additional clinical trials of our product candidates, and for the manufacture of our product candidates for preclinical studies and clinical trials;
- the need to hire additional personnel, in particular sales personnel, and our ability to attract and retain such personnel;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;

- our financial performance;
- the sufficiency of our existing capital resources to fund our future operating expenses and capital expenditure requirements;
- our competitive position;
- our expectations regarding the period during which we will qualify as an emerging growth company under the JOBS Act; and
- our anticipated use of our existing resources and the proceeds from our Initial Public Offering ("IPO") and Follow-on Public Offering (defined below).

We have based these forward-looking statements largely on our current expectations and projections about our business, the industry in which we operate and financial trends that we believe may affect our business, financial condition, results of operations and growth prospects, and these forward-looking statements are not guarantees of future performance or development. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the section titled “Risk Factors” elsewhere in this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, advancements, discoveries, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

You should read this report and the documents that we reference in this report and have filed with the SEC as exhibits to this report with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

**Overview of our Business**

We are a biopharmaceutical company focused on the development and commercialization of therapeutics, starting with eye care. Our lead product candidate, TP-03 (lotilaner ophthalmic solution, 0.25%), is a novel investigational eye drop to treat blepharitis caused by the infestation of Demodex mites, which is referred to as Demodex blepharitis. Blepharitis ("Blephar" is a reference to eyelid and “itis” is a reference to inflammation) is an ophthalmic lid margin disease characterized by inflammation of the eyelid margin, redness and ocular irritation, including a specific type of eyelash dandruff called collarettes, which are pathognomonic for Demodex blepharitis. Poorly controlled and progressive blepharitis can lead to corneal damage over time and, in extreme cases, blindness. There are an estimated 25 million people in the U.S. who suffer from Demodex blepharitis.

We designed TP-03 to target and eradicate the root cause of Demodex blepharitis — Demodex mite infestation. The active pharmaceutical ingredient ("API") of TP-03, lotilaner, paralyzes and eradicates mites and other parasites through the inhibition of parasite-specific gamma-aminobutyric acid-gated chloride ("GABA-Cl") channels.

To date, we have completed four Phase 2 trials, the Phase 2b/3 Saturn-1 trial, and the Phase 3 Saturn-2 trial for TP-03 in Demodex blepharitis. Each of these trials for TP-03 met their primary, secondary and/or exploratory endpoints, with the drug well tolerated. In May 2022, we announced positive topline results of the Saturn-2 trial and will use the data from the Saturn-1 and Saturn-2 trials to support our submission of a new drug application ("NDA") in the second half of 2022. We believe that TP-03 has the potential to be the first therapeutic approved by the U.S. Food and Drug Administration ("FDA") and become the definitive standard of care for the treatment of Demodex blepharitis.

We intend to further advance our pipeline with the lotilaner API to address several diseases across therapeutic categories in human medicine, including eye care, dermatology, and other diseases. We are developing product candidates to address targeted diseases with high unmet medical needs, which currently include TP-03 for the potential treatment of MGD, TP-04 for the potential treatment of rosacea, and TP-05 for potential Lyme disease prophylaxis and community malaria reduction.

**Recent Business and Clinical Highlights**

**TP-03 Demodex Blepharitis Pivotal Trials, Saturn-1 & Saturn-2**: In May 2022, we announced positive topline results of Saturn-2, our second and final pivotal trial. Saturn-2 enrolled 412 adults having, among other things, more than 10 collarettes per lid and at least mild lid erythema. All pre-specified primary and secondary endpoints were met, TP-03 was well tolerated and complete resolution of Demodex blepharitis was demonstrated in patients treated with TP-03 (lotilaner ophthalmic solution, 0.25%).

*Primary Endpoint:*

- 56% of patients on TP-03 achieved complete collarette cure, defined as 0-2 collarettes per lid at day 43, compared to 13% on vehicle ($p<0.0001$).
  - 89% of patients on TP-03 achieved a clinically meaningful collarette cure, defined as 0-10 collarettes per lid at day 43 compared to 33% of those on vehicle ($p<0.0001$).

*Secondary Endpoints:*

- 52% of patients on TP-03 achieved mite eradication defined as zero mites per lash at day 43, compared to 14% on vehicle ($p<0.0001$).
- 31% of patients on TP-03 compared to 9% of patients on vehicle ($p<0.0001$) achieved complete lid erythema cure at day 43.
- 19% of patients on TP-03 achieved a complete composite cure, based on achieving both complete collarette cure and complete lid erythema cure, compared to 4% on vehicle ($p<0.0001$) at day 43.

*Safety Profile:*

- Consistent with Saturn-1, Saturn-2 demonstrated that TP-03 was well tolerated with a safety profile similar to the vehicle group.
  - 91% of TP-03 patients reported that the drop comfort was neutral to very comfortable.
  - There were no serious treatment-related adverse events nor any treatment-related adverse events leading to treatment discontinuation.

**TP-03 Meibomian Gland Disease, Phase 2a Trial, Ersa**: On August 5, 2022, we announced the enrollment of our first patient in the Phase 2a Ersa clinical trial studying TP-03 for the treatment of MGD.

**TP-05 Lyme disease Phase 1 Trial, Callisto**: We advanced our Phase 1 Callisto trial, evaluating TP-05, a novel, oral, non-vaccine therapeutic for the prevention of Lyme disease, with data expected in the second half of 2022. The Callisto trial is a single ascending dose and multiple ascending dose trial to evaluate the safety, tolerability and pharmacokinetics ("PK") of TP-05 in healthy volunteers. There are currently no FDA-approved pharmacological prophylactic options for Lyme disease, which is the most common vector-borne disease in the U.S., transmitted to humans via Borrelia burgdorferi bacterium infection following the bite of a tick.

We believe TP-05 is currently the only non-vaccine, drug-based, preventive therapeutic in development that targets the ticks, and potentially prevents Lyme disease transmission. It is designed to rapidly provide systemic blood levels of lotilaner potentially sufficient to kill infected ticks attached to the human body before they can transmit the Borrelia bacteria that causes Lyme disease.

**TP-03 China Territory Out-License**: In March 2021, we executed an out-license agreement (the "China Out-License") with LianBio Ophthalmology Limited ("LianBio"), granting exclusive commercial rights to TP-03 for the treatment of Demodex blepharitis and MGD within The People's Republic of China, Macau, Hong Kong, and Taiwan (the "China Territory"). In May 2022, LianBio announced that they are on track to initiate a TP-03 Phase 3 pivotal trial in Chinese patients for the treatment of Demodex blepharitis in the second half of 2022 to support regulatory approval in China.

To date, we have received contractual cash proceeds from LianBio of $70.0 million, representing initial consideration of $25.0 million and $45.0 million for the achievement of three clinical development milestones (including the Saturn-2 topline primary endpoint achievement milestone of $15.0 million received in June 2022). We also received equity warrant rights in LianBio as part of this license, a portion of which remains subject to a regulatory vesting provision.

We are further eligible to receive:

- drug supply agreement execution milestone of $5.0 million (expected by December 2022)

- China-based clinical and regulatory milestones totaling $30.0 million ($10.0 million of which we expect by December 2022 for LianBio's initiation of a Phase 3 pivotal trial in China)
- sales threshold milestones in the China Territory totaling $100.0 million; and
- tiered mid-to-high teen royalties on the net product sales of TP-03 within the China Territory

**Credit Facility with Hercules Capital and Silicon Valley Bank:** On February 2, 2022, we executed a loan and security agreement with Hercules Capital and Silicon Valley Bank (the "Credit Facility). This $175.0 million Credit Facility has tranched availability as follows:

- $40.0 million at closing ($20 million drawn in February 2022 and $20 million remaining available)
- $25.0 million upon NDA submission of TP-03
- $35.0 million upon FDA approval of TP-03
- $50.0 million upon achievement of certain quarterly revenue thresholds
- $25.0 million available with lender approval

Capital draws are at our election and are in $5.0 million increments. This Credit Facility includes a four-year interest only period and is extendable to five years upon meeting certain conditions that we expect to achieve.

**Follow-On Public Offering:** On May 5, 2022, we completed a follow-on public offering under our effective Form S-3 shelf registration statement through an initial underwritten sale of 5.6 million shares of common stock at a price of $13.50 per share (the “Follow-On Public Offering”). This resulted in gross proceeds of $75.6 million before underwriting discounts, commissions, and other estimated offering expenses, for net proceeds of $70.6 million.

We also granted the underwriters a 30-day option to purchase up to 840,000 additional shares of common stock at the public offering price, less discounts and commissions. On June 1, 2022, the underwriters partially exercised this option by purchasing an additional 289,832 shares of common stock at $13.50 per share, for additional gross proceeds of $3.9 million before underwriting discounts and commissions, for net proceeds of $3.7 million.

After giving effect to the exercise of the underwriters’ option, the total number of shares of our common stock sold in the Follow-On Public Offering was 5,889,832 shares which resulted in total gross proceeds of $79.5 million before underwriting discounts, commissions and other estimated offering expenses for total net proceeds in the second quarter of 2022 of $74.3 million.

**Corporate and Financial Overview**

We were incorporated as a Delaware corporation in November 2016, and our headquarters is located in Irvine, California. Since our inception, we have devoted substantially all of our resources to organizing and staffing our company, acquiring intellectual property, clinical development of our product candidates, building our research and development capabilities, raising capital, and enhancing our corporate infrastructure.

To date we have financed our operations through private placements of preferred stock, convertible promissory notes, the net proceeds from issuance of common stock in our IPO and Follow-on Public Offering, cash proceeds from our out-licensing arrangements, and draw downs on our Credit Facility.

We have incurred significant net operating losses in every year since our inception and expect to continue to incur significant operating expenses and, other than the effect of license fee revenue from the China Out-License Agreement, increasing operating losses for the foreseeable future. Our net (loss) income was $(5.7) million and $6.3 million for the three months ended June 30, 2022 and 2021, respectively. Our net losses and any net income we may generate may fluctuate significantly from quarter to quarter and year to year and could be substantial. As of June 30, 2022 and December 31, 2021, we had an accumulated deficit of $72.7 million and $46.7 million, respectively, from our research and development and general and administrative activities since our inception. We anticipate that our operating expenses will increase significantly as we:

- conduct and complete clinical activities for our lead product candidate, TP-03, for the treatment of Demodex blepharitis;
- advance the clinical development of TP-03 for the potential treatment of MGD, TP-04 for the potential treatment of rosacea and TP-05 for potential Lyme prophylaxis and community malaria reduction;
- seek regulatory and marketing approvals for product candidates that successfully complete clinical development, if any;

- establish our own sales force in the U.S. to commercialize our products for which we obtain regulatory approval;
- engage with contract manufacturers to ensure a sufficient supply chain capacity to provide commercial quantities of any products for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- hire additional staff, including clinical, scientific, technical, regulatory, marketing, operations, financial, and other support personnel, to execute our business plan; and
- add information systems and personnel to support our product development and potential future commercialization efforts, and to enable us to operate as a public company.

We do not expect to generate revenues from product sales unless and until we successfully complete clinical development and obtain regulatory approval for a product candidate and commercially launch such product. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through private or public equity or debt financings, or collaborations, strategic alliances, or licensing arrangements with third parties. Adequate funding may not be available to us when needed on acceptable terms, or at all. If we raise additional funds through collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our intellectual property, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional capital or enter into such agreements as and when needed, we could be forced to significantly delay, scale back, or discontinue our product development and/or commercialization plans, which would negatively and adversely affect our financial condition.

Because of the numerous risks and uncertainties associated with drug product development, we are unable to accurately forecast the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate revenue from product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels.

Though we do not have revenue from product sales, we have recognized "license fees" and "collaboration revenue" from our China Out-License for the three and six months ended June 30, 2022 and 2021. We expect to recognize additional revenue under these captions in future periods (see *Note 9*).

As of June 30, 2022, our aggregate cash and cash equivalents was $245.4 million – see the section below titled “Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for additional liquidity discussion.

**Impact of the COVID-19 Pandemic on our Operations**

Efforts to contain the spread of COVID-19 in the U.S. (including in California where our corporate headquarters and laboratory facility are located) and other countries have included quarantines, shelter-in-place orders, and various other government restrictions in order to control the spread of this virus.

We have been monitoring the COVID-19 pandemic as it continues to progress and its potential impact on our business. We have taken important steps to ensure the workplace safety of our employees when working within our laboratory and administrative offices, or when traveling. We have also implemented a vaccination policy and we may take further actions as may be required by federal, state or local authorities.

To date, we have been able to continue our key business activities and advance our clinical programs. However, in the future, it is possible that our clinical development timelines and business plans could be adversely affected. We maintain regular communication with our vendors and clinical sites to appropriately plan for, and mitigate, the impact of the COVID-19 pandemic on our operations. The ultimate effect from this pandemic on our development timelines for TP-03 and our other product candidates is inherently uncertain.

See the section titled *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 14, 2022 and in this Quarterly Report, for a further discussion of the potential adverse impact of COVID-19 on our business, results of operations and financial condition.

**Results of Operations**

***Comparison of the Three Months Ended June 30, 2022 and 2021***

The following table summarizes our results of operations for the periods indicated:

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2022 | 2021 | Change |
| | (in thousands) | | |
| Revenues: | | | |
| License fees | $ 13,893 | 19,048 | $ (5,155) |
| Collaboration revenue | 1,384 | 2,969 | (1,585) |
| Total revenues | 15,277 | 22,017 | (6,740) |
| Operating expenses: | | | |
| Cost of license fees and collaboration revenue | 522 | 737 | (215) |
| Research and development | 9,603 | 7,204 | 2,399 |
| General and administrative | 10,376 | 6,794 | 3,582 |
| Total operating expenses | 20,501 | 14,735 | 5,766 |
| (Loss) income from operations before other (expense) income and income taxes | (5,224) | 7,282 | (12,506) |
| Other (expense) income: | | | |
| Interest (expense) income, net | (247) | 7 | (254) |
| Other income (expense), net | 106 | (39) | 145 |
| Unrealized loss on equity investments | (121) | — | (121) |
| Change in fair value of equity warrants issued by licensee | (257) | (876) | 619 |
| Total other expense, net | (519) | (908) | 389 |
| Provision for income taxes | — | (29) | 29 |
| Net (loss) income and comprehensive (loss) income | $ (5,743) | $ 6,345 | $ (12,088) |

***License Fees and Collaboration Revenue***

License fees and collaboration revenue was $15.3 million for the three months ended June 30, 2022. This amount was attributable to the contractual milestones under the China Out-License (see *Note 9*) to the extent completed by June 30, 2022. These amounts represent the satisfaction of the transfer of TP-03 license rights to LianBio and the partial completion of clinical-related "performance obligations".

We will recognize additional "license fee and collaboration revenue" to the extent the contractual performance obligations are further satisfied or other events occur, specifically related to (i) the achievement of a drug supply agreement execution milestone, (ii) milestone payments upon TP-03 pivotal trial completion and the delivery of associated clinical data and reports to our licensee, (iii) achievement of regulatory events in the China Territory that trigger milestone payments, and (iv) our licensee's product sales of TP-03 in the China Territory.

***Cost of License Fees and Collaboration Revenue***

Cost of license fees and collaboration revenue decreased by $0.2 million for the three months ended June 30, 2022, as compared to the prior year period. These amounts relate to our contractual payment obligations to our licensor that are attached to our China Out-License proceeds.

***Research and Development Expenses***

Research and development expenses increased by $2.4 million for the three months ended June 30, 2022, as compared to the prior year period. The increase was primarily due to (i) $1.5 million of increased payroll and personnel-related costs (which includes stock-based compensation) for 11 employee additions period over period to drive our product development initiatives, (ii) $0.5 million of increased regulatory and consulting costs in preparation for our NDA filing, and (iii) $0.3 million of increased clinical and preclinical study costs.

***General and Administrative Expenses***

General and administrative expenses increased by $3.6 million for the three months ended June 30, 2022, as compared to the prior year period. The increase was primarily due to (i) $2.0 million of increased payroll and personnel-related costs (which includes stock-based compensation) for 19 employee additions period over period to support our business growth, and (ii) $1.5 million of increased market research costs.

***Other Expense, Net***

Other expense, net decreased by $0.4 million primarily due to a $0.6 million change in fair value of the LianBio equity warrants we received as part of our China Out-License in March 2021, partially offset by (i) interest expense of $0.2 million related to the Credit Facility executed in February 2022, and (ii) mark-to-market adjustments of $0.1 million for revaluation of LianBio common stock held (after our exercise of the first warrant tranche).

***Provision for Income Taxes***

We maintain a valuation allowance against our net deferred tax assets as of June 30, 2022 and 2021 due to the uncertainty that such assets will be realized. We evaluate the recoverability of our deferred tax assets on at least an annual basis. For the three months ended June 30, 2022, we did not record any income tax benefit due to the losses we incurred in that period.

***Comparison of the Six Months Ended June 30, 2022 and 2021***

The following table summarizes our results of operations for the periods indicated:

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2022 | 2021 | Change |
| | (in thousands) | | |
| Revenues: | | | |
| License fees | $ 13,893 | 52,359 | $ (38,466) |
| Collaboration revenue | 1,923 | 3,090 | (1,167) |
| Total revenues | 15,816 | 55,449 | (39,633) |
| Operating expenses: | | | |
| Cost of license fees and collaboration revenue | 555 | 2,034 | (1,479) |
| Research and development | 21,684 | 23,465 | (1,781) |
| General and administrative | 18,322 | 11,954 | 6,368 |
| Total operating expenses | 40,561 | 37,453 | 3,108 |
| (Loss) income from operations before other (expense) income and income taxes | (24,745) | 17,996 | (42,741) |
| Other (expense) income: | | | |
| Interest (expense) income, net | (563) | 16 | (579) |
| Other income (expense), net | 143 | (73) | 216 |
| Unrealized loss on equity investments | (313) | — | (313) |
| Change in fair value of equity warrants issued by licensee | (502) | (876) | 374 |
| Total other expense, net | (1,235) | (933) | (302) |
| Provision for income taxes | (1) | (342) | 341 |
| Net (loss) income and comprehensive (loss) income | $ (25,981) | $ 16,721 | $ (42,702) |

***License Fees and Collaboration Revenue***

License fees and collaboration revenue was $15.8 million for the six months ended June 30, 2022. This amount was attributable to the contractual milestones under the China Out-License (see *Note 9*) to the extent completed by June 30, 2022. These amounts represent the satisfaction of the transfer of TP-03 license rights to LianBio and the partial completion of clinical-related "performance obligations".

We will recognize additional "license fee and collaboration revenue" to the extent the contractual performance obligations are further satisfied or other events occur, specifically related to (i) the achievement of a drug supply agreement execution milestone, (ii) milestone payments upon TP-03 pivotal trial completion and the delivery of associated clinical data and reports to our licensee, (iii) achievement of regulatory events that trigger milestone payments, and (iv) our licensee's product sales of TP-03 in the China Territory.

***Cost of License Fees and Collaboration Revenue***

Cost of license fees and collaboration revenue decreased by $1.5 million for the six months ended June 30, 2022, as compared to the prior year period. These amounts relate to our contractual payment obligations to our licensor that are attached to our China Out-License proceeds.

***Research and Development Expenses***

Research and development expenses decreased by $1.8 million for the six months ended June 30, 2022, as compared to the prior year period. The decrease was primarily due to non-recurring costs in the prior year period including (i) a contractual payment in March 2021 in the form of 187,500 shares of our common stock then valued at $5.5 million to extend the period of our September 2020 in-license agreement, and (ii) contractual payment of $2 million under our January 2019 in-license for the commencement of our Saturn-2 trial. These decreases were partially offset by (i) $2.6 million of increased payroll and personnel-related costs (which includes stock-based compensation), for 11 employee additions period over period to drive our product development initiatives, (ii) $2.0 million of increased clinical and preclinical study costs, (iii) $0.7 million of increased regulatory and consulting costs in preparation of our NDA filing, and (iv) $0.3 million of increased manufacturing and formulation costs.

***General and Administrative Expenses***

General and administrative expenses increased by $6.4 million for the six months ended June 30, 2022, as compared to the prior year period. The increase was primarily due to (i) $4.2 million of increased payroll and personnel-related costs (which includes stock-based compensation) for 19 employee additions period over period to support our business growth, and (ii) $2.1 million of increased market research costs.

***Other Expense, Net***

Other expense, net increased by $0.3 million which substantially consists of $0.6 million of increased interest expense related to the Credit Facility executed in February 2022, partially offset by $0.2 million of miscellaneous items.

***Provision for Income Taxes***

We maintain a valuation allowance against our net deferred tax assets as of June 30, 2022 and 2021 due to the uncertainty that such assets will be realized. We evaluate the recoverability of our deferred tax assets on at least an annual basis. For the six months ended June 30, 2022, we recorded nominal income tax expense.

**Liquidity and Capital Resources**

***Sources of Liquidity***

***Overview***

As of June 30, 2022, we had cash and cash equivalents of $245.4 million. Since our inception, our operations have been substantially financed by cash proceeds of private placements of preferred stock, IPO proceeds, China Out-License consideration, Credit Facility draw, and the Follow-On Public Offering.

***IPO - October 2020***

In connection with our October 2020 IPO, we sold 6,325,000 shares of our common stock (inclusive of the full exercise of the underwriters' option to purchase 825,000 shares of common stock). After deducting underwriting discounts, commissions and other related expenses, our IPO proceeds were $91.7 million.

***Follow-On Public Offering - completed May 2022***

In May 2022, we completed the Follow-On Public Offering. This resulted in gross proceeds of $75.6 million before underwriting discounts, commissions and other estimated offering expenses for net proceeds of $70.6 million. We also granted the underwriters a 30-day option to purchase up to 840,000 additional shares of common stock at the public offering price, less underwriting discounts and commissions. In June 2022, the underwriters partially exercised their option to purchase an additional 289,832 shares of common stock at the offering price of $13.50 per share for additional gross proceeds of $3.9

million, before underwriting discounts and commissions, for net proceeds of $3.7 million. After giving effect to the exercise of the underwriters' option, we sold 5,889,832 shares for total gross proceeds of $79.5 million, before underwriting discounts, commissions and other estimated offering expenses, for total net proceeds received in the second quarter of 2022 of $74.3 million.

***China Out-License - executed March 2021***

As of June 30, 2022, we have received $70.0 million of total proceeds in connection with our China Out-License, inclusive of 2022 milestone receipts of $15.0 million in June for the achievement of the Saturn-2 topline primary endpoint (see *Note 9*). We expect to receive an additional $15.0 million during the second half of 2022 for the achievement of a China-based clinical development milestone and a supply agreement milestone, resulting in aggregate milestone receipts through December 2022 of $85.0 million. The remaining $120.0 million of available milestones under this arrangement will potentially be received upon future regulatory and sales achievements all within the China Territory.

***Credit Facility - executed February 2022***

In February 2022, we drew $20.0 million from our credit facility with Hercules Capital and Silicon Valley Bank. This $175.0 million facility has tranched availability as follows:

- $40.0 million at closing ($20 million drawn and $20.0 million available);
- $25.0 million upon NDA submission of TP-03;
- $35.0 million upon FDA approval of TP-03;
- $50.0 million upon achievement of certain quarterly revenue thresholds; and
- $25.0 million with lender approval.

Capital draws are at our election and are in $5.0 million increments. The Credit Facility includes four-year period of interest-only payments and is extendable for a fifth year to February 2027 maturity, upon our expected achievement of required conditions. We currently have no other financing commitments, such as lines of credit or guarantees.

***Funding Requirements***

***Cash Runway***

Our operating expenditures currently consist of research and development costs (including activities within our preclinical, clinical, regulatory, and drug manufacturing initiatives) and general and administrative costs. Our use of cash is impacted by the timing and extent of payments for each of these activities and other business requirements.

We believe that our cash and cash equivalents of $245.4 million as of June 30, 2022 is sufficient to fund our current and planned operations for at least the next twelve months from the date of this filing on Form 10-Q. These funds in combination with additional expected milestone proceeds from our China Out-License of $30.0 million through 2024 ($15.0 million of which is expected in the second half of 2022), should provide sufficient capital resources to fund our planned pipeline development, operating expenses, and capital expenditure requirements at least into 2026.

We base this latest cash runway estimate on revenue and expense assumptions that may require future adjustments, as part of our ongoing business decisions within pipeline development and our other corporate initiatives. Accordingly, we may require additional capital resources earlier than we currently expect. We also anticipate having at least $80.0 million of standby capital availability from our Credit Facility through December 2023 (excluding our $20.0 million draw in February 2022) and an additional $75.0 million of availability through maturity in February 2027.

***Shelf Registration Statement***

On November 1, 2021, we filed a shelf registration statement on Form S-3 that was declared effective by the SEC on November 5, 2021 (the "Shelf Registration Statement"). This permits us to offer up to $300.0 million of common stock, preferred stock, debt securities and warrants in one or more offerings and in any combination, including in units from time to time. Our Shelf Registration Statement is intended to provide us with additional flexibility to access capital markets for general corporate purposes, which may include working capital, capital expenditures, other corporate expenses and acquisitions of complementary products, technologies, or businesses. We completed our recent Follow-on Public Offering under this Shelf Registration Statement.

Also, as part of this Shelf Registration Statement, we concurrently filed a sales agreement prospectus covering the sale of up to $100.0 million of our common stock pursuant to an Open Market Sale Agreement™ (the "ATM Agreement") with Jefferies LLC. Through the date of this Form 10-Q filing, we have not sold any shares of our common stock under the ATM Agreement.

***Other Liquidity Risks***

To date, we have not generated any product sales, though have recognized revenue and cash receipts from our China Out-License. We do not expect to report any product revenue unless and until we (1) complete development of any of our product candidates; (2) obtain applicable regulatory approvals; and then (3) successfully commercialize or enter into other collaborative agreements for our product candidates with third parties. We do not know with certainty when, or if, any of these items will ultimately occur.

We expect to incur significant operating losses for the foreseeable future, and expect these losses to further increase, as we ramp up our clinical development programs and begin activities for commercial launch readiness. We may also encounter unforeseen expenses, difficulties, complications, delays and other currently unknown factors that could adversely affect our business.

We may require additional capital to fully develop our product candidates and to execute our business strategy. Our requirements of a future capital raise will depend on many factors, including:

- the scope, timing, rate of progress and costs of our drug discovery efforts, preclinical development activities, laboratory testing and clinical trials for our product candidates;
- the number and scope of clinical programs we decide to pursue;
- the cost, timing and outcome of preparing for and undergoing regulatory review of our product candidates;
- the scope and costs of development and commercial manufacturing activities;
- the cost and timing associated with commercializing our product candidates, if they receive marketing approval;
- the amount of revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the achievement of milestones or occurrence of other developments that trigger payments under any collaboration agreements we might have at such time and availability under our Credit Facility;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- our efforts to enhance operational systems and our ability to attract, hire and retain qualified personnel, including personnel to support the development of our product candidates and, ultimately, the sale of our products, following FDA approval;
- our implementation of various computerized information systems;
- impact of COVID-19 on our clinical development or operations; and
- the costs associated with being a public company.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Furthermore, our operating plans may change in the future, and we will continue to require additional capital to meet operational needs and capital requirements associated with such operating plans. If we raise additional funds by issuing equity

securities, our stockholders may experience dilution. Any future debt financing into which we enter may impose upon us additional covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, repurchase our common stock, make certain investments or engage in certain merger, consolidation or asset sale transactions. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders.

Adequate funding may not be available to us on acceptable terms or at all. Our potential inability to raise capital when needed could have a negative impact on our financial condition and our ability to pursue our business strategies. If we are unable to raise additional funds as required, we may need to delay, reduce, or terminate some or all development programs and clinical trials. We may also be required to sell or license our rights to product candidates in certain territories or indications that we would otherwise prefer to develop and commercialize ourselves. If we are required to enter into collaborations and other arrangements to address our liquidity needs, we may have to give up certain rights that limit our ability to develop and commercialize our product candidates or may have other terms that are not favorable to us or our stockholders, which could materially and adversely affect our business and financial prospects. See the section titled "Risk Factors" in this report for additional risks associated with our substantial capital requirements.

***Summary Statements of Cash Flows***

The following table sets forth the primary sources and uses of cash and cash equivalents for each of the periods presented below:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (in thousands) | |
| Net cash (used in) provided by: | | |
| Operating activities | $ (19,545) | $ 8,757 |
| Investing activities | (283) | (191) |
| Financing activities | 93,859 | 20 |
| Net increase in cash and cash equivalents | $ 74,031 | $ 8,586 |

***Net Cash (Used in) Provided by Operating Activities***

Net cash used in operating activities was $19.5 million for the six months ended June 30, 2022. We recognized $15.8 million of license fee and collaboration revenue, and received $15.0 million in June 2022 in connection with our China Out-License. In the current six-month period, our cash payments to vendors for our operating activities totaled $26.0 million and payroll-related cash payments (inclusive of 2021 bonus payouts) totaled $9.1 million.

Net cash provided by operating activities was $8.8 million for the three months ended June 30, 2021. We recognized $55.4 million of license fee and collaboration revenue, though we received $35.0 million in cash from the China Out-License in the prior year period. Our cash payments to vendors for our operating activities totaled $17.4 million and payroll-related cash payments (inclusive of 2020 bonus payouts) totaled $4.6 million. In addition, we made contractual payments of $4.5 million under our in-license agreements for lotilaner.

***Net Cash Used in Investing Activities***

Net cash used in investing activities was $0.3 million for the six months ended June 30, 2022, which primarily consisted of leasehold improvements for our laboratory and administrative offices and various purchases of office equipment.

Net cash used in investing activities was $0.2 million for the six months ended June 30, 2021, which consisted of leasehold improvements for our laboratory and administrative offices and various purchases of property and equipment.

***Net Cash Provided by Financing Activities***

Net cash provided by financing activities was $93.9 million for the six months ended June 30, 2022, which primarily consisted of (i) $74.6 million of net proceeds from the issuance of common stock upon the Follow-On Public Offering, (ii) $20.0 million of proceeds from the Credit Facility, partially offset by our $0.9 million payment for its issuance costs, and (iii) $0.2 million of proceeds from our employee stock purchase plan.

Net cash provided by financing activities was $20 thousand for the six months ended June 30, 2021, and relates to proceeds from the exercise of stock options.

**Critical Accounting Policies, Significant Judgments and Use of Estimates**

The preparation of our Condensed Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes to the financial statements. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates are different assumptions and conditions. A summary of our critical accounting policies is presented in our filed Annual Report on Form 10-K for the year ended December 31, 2021.

There were no material changes to our previously reported "Critical Accounting Policies" during the six months ended June 30, 2022.

**Recent Accounting Pronouncements**

A description of recent accounting pronouncements that may potentially impact our financial position, results of operations or cash flows are disclosed in the footnote to which each relates within these accompanying Condensed Financial Statements.

**Off-Balance Sheet Arrangements**

Since our inception, we have not engaged in any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

**Indemnification Agreements**

As permitted under Delaware law and in accordance with our bylaws, we indemnify our officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. We are also party to indemnification agreements with our officers and directors. We believe the fair value of the indemnification rights and agreements is minimal. Accordingly, we have not recorded any liabilities for these indemnification rights and agreements as of June 30, 2022.

**JOBS Act Accounting Election**

The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have irrevocably elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted.

We will remain an emerging growth company until the *earliest of* (1) the last day of our first fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenues of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million of the prior June 30th and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

*Interest Rate Risk*

The market risk inherent in our financial instruments and in our financial position represents the potential loss arising from adverse changes in interest rates. As of June 30, 2022, we had cash and cash equivalents of $245.4 million, consisting of interest-bearing money market accounts, for which the fair market value would be affected by changes in the general level of United States interest rates. However, due to the short-term maturities and the low-risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash and cash equivalents.

As of June 30, 2022, we had $20.0 million of debt principal outstanding. Our Credit Facility bears interest at an annual rate equal to the *greater of* (i) the Wall Street Journal prime rate *plus* 5.20% or (ii) 8.45%; as of June 30, 2022, our resulting interest rate on the Credit Facility is 9.95%. A hypothetical interest rate of 20% would have resulted in reported interest expense of $1.0 million and $2.0 million for the three and six months ended June 30, 2022, respectively.

Inflation, interest rate changes, and foreign currency exchange rate fluctuations did not have a significant impact on our results of operations for any periods presented herein. However, with further inflationary pressures, certain significant increased costs could have an adverse impact on the results of our operations.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

### Item 1A. Risk Factors

As of the date of this filing, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 14, 2022, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, filed on May 11, 2022.

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

**Use of Proceeds from Initial Public Offering**

There has been no material change in the planned use of proceeds from our IPO as described in the Registration Statement on Form S-1 (File No. 333-249076), declared effective by the SEC on October 15, 2020, and the related final prospectus, dated October 15, 2020, filed with the SEC on October 16, 2020, pursuant to Rule 424(b) of the Securities Act.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

None.

### Item 5. Other Information.

None.

**Item 6. Exhibits**

| Exhibit Number | Description | Form | File Number | Incorporated by Reference Exhibit | Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 10.1† | Amended and Restated License Agreement, dated June 3, 2022, by and between the Registrant and Elanco Tiergesundheit AG. | | | | | X |
| 10.2 †^ | Amended and Restated License Agreement, dated June 3, 2022, by and between the Registrant and Elanco Tiergesundheit AG. | | | | | X |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | 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. | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). | | | | | X |

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Tarsus Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

† Pursuant to Item 601(b)(10) of Regulation S-K, certain confidential portions of this exhibit have been omitted by means of marking such portions with asterisks as the identified confidential portions (i) are not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

^ Pursuant to Item 601(a)(5) of Regulation S-K, certain exhibits and schedules have been omitted. The Company hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule upon request by the SEC.

**SIGNATURES**

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

**TARSUS PHARMACEUTICALS, INC.**

Date: August 11, 2022

/s/ Bobak Azamian, M.D., Ph.D.
Bobak Azamian, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Director)

Date: August 11, 2022

/s/ Leonard M. Greenstein
Leonard M. Greenstein
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

**Exhibit 10.1**

# AMENDED AND RESTATED LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT (the "***Agreement***"), is made and entered into by and between Elanco Tiergesundheit AG, a Swiss corporation having place of business at Mattenstrasse 24A, 4058 Basel, Switzerland ("***Elanco***") and Tarsus Pharmaceuticals, Inc., a Delaware corporation having its principal offices at 15440 Laguna Canyon Rd., Suite 160, Irvine, CA 92618 ("***Tarsus***") as of June 3, 2022 (the "***Amended and Restated Date***"), and amends and restates in its entirety that certain License Agreement made and entered into by and between Elanco and Tarsus as of January 31, 2019 (the "***Effective Date***") as amended on September 3, 2020 (the "***Original Agreement")***. Each of Elanco and Tarsus may be referred to herein as a "***Party***" and collectively as the "***Parties.***"

## BACKGROUND

A. Elanco is the owner, and has the right to license the Licensed IP (as defined below) on and subject to the terms and conditions set forth in this Agreement.

B. Tarsus wishes to license the Licensed IP, and Elanco is willing to grant to Tarsus a license under the Licensed IP, on and subject to the terms and conditions set forth in this Agreement.

C. The Parties wish to clarify certain terms from the Original Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements of the Parties contained in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

**1. CERTAIN DEFINITIONS**. In addition to any terms defined elsewhere in this Agreement, the following terms, when used in this Agreement, shall have the meanings set forth in this Section 1.

**1.1** "***Affiliate***" means, with respect to an entity, any other entity which controls, is controlled by, or is under common control with such first entity (but only so long as such control exists), whether as of the Effective Date or any time after the Effective Date. The term "***control***", in relation to an entity, means the ownership or control, directly or indirectly, of fifty percent (50%) or more of the shares (or other securities or rights) entitled to vote for the election of directors or other governing authority of such entity.

**1.2** "***Applicable Law***" means, with respect to any Person or matter, any and all laws, ordinances, constitutions, regulations, statutes, treaties, rules, codes, licenses, requirements and injunctions adopted, enacted, implemented, promulgated, issued, entered by or under the authority of any governmental body having jurisdiction over such Person or matter or any Person's properties or assets.

**1.3** "***Commercially Reasonable Efforts***" of a Party means, with respect to an objective, the reasonable, diligent, good faith efforts of a Party, (which it may effect through the efforts of its Affiliates, and sublicensees) of the type to accomplish such objective as a similarly situated (with respect to size, stage of development, and assets) pharmaceutical company, as the case may be, would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that, with respect to efforts to be expended in relation to a product (including implementation of development and commercialization strategies), such efforts shall be substantially equivalent to those efforts and resources that a similarly situated pharmaceutical company, as the case may be, would typically devote to its own internally discovered compound or product, which compound or product is

at a similar stage in its development or product life and is of similar market and economic potential as products expected to result from the Compounds at a similar stage in their development or product life, taking into account the risks of development, the commercial potential for the Product, its proprietary position and other relevant factors.

**1.4** "***Compound***" means Lotilaner and any salts, stereo isomers, prodrug, ester, metabolite, solvate, or polymorph thereof, and any derivative of the foregoing containing one or more atoms substituted with a radioisotope (including a derivative containing deuterium).

**1.5** "***Confidential Information***" means information that is disclosed by one Party (the "***Disclosing Party***") to the other Party (the "***Receiving Party***") in connection with this Agreement (which may include, without limitation, trade secrets, technology, information pertaining to business operations and strategies, and information pertaining to customers, pricing and marketing information) or considered confidential under the Confidentiality Agreement as well as all information provided in the data room by Elanco as of the Effective Date. Confidential Information does not include information that: (a) was already known to the Receiving Party prior to disclosure by the Disclosing Party; (b) is independently developed by the Receiving Party; (c) was or becomes generally known by the public other than as a result of a breach of this Agreement or the Confidentiality Agreement by the Receiving Party; or (d) was received by the Receiving Party from a Third Party who was not, at the time of disclosure, under any obligation to the Disclosing Party or any of its Affiliates to maintain the confidentiality of such information.

**1.6** "***Confidentiality Agreement***" means that certain Confidentiality Agreement by and between Elanco and Tarsus effective May 3, 2018.

**1.7** "***Control***", "***Controls***" or "***Controlled by***" means, with respect to any item of or right under any intellectual property, as the context requires, the possession (whether by ownership or license, other than pursuant to this Agreement) or ability of a Party to grant access to, or a license or sublicense of, such items or rights.

**1.8** "***Cover***" with respect to any subject matter (e.g. a Licensed Product), means that absent a license, the making, having made, using, importing, offering to sell or selling such subject matter would infringe a Valid Claim.

**1.9** "***Cut-off Date***" means the second ($2^{nd}$) anniversary of the Effective Date.

**1.10** "***Elanco Field***" means all applications for non-human animals, agricultural applications, seed treatment applications and urban pest applications related to structural, turf, lawns and gardens, including treatment of premises and ornamental pest markets but excluding, for clarity, any mosquito vector control for human disease or any human therapeutics.

**1.11** "***Enroll***" or "***Enrollment***" with respect to a clinical trial means a patient is dosed with the applicable investigatory drug.

**1.12** "***Existing Manufacturer***" means a third party that manufactures for which Tarsus pays (or has paid) Elanco [***] dollars pursuant to Section 3.1 of that certain License Agreement entered into by and between Tarsus and Elanco on or around even date herewith (the "***Systemic License Agreement***").

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

**1.14** "***Field***" means the treatment, palliation, prevention, or cure of any disease or condition in eye care or dermatology in humans.

**1.15** "***First Commercial Sale***" for a country means the first commercial sale of a Licensed Product to a Third Party by Tarsus or any of its Affiliates or sublicensees of such Licensed Product after final approval by the applicable government authority to market such product for human use in the Field in such country (e.g. NDA approval). "First Commercial Sale" excludes the sale of a Licensed Product for use in a clinical trial or for expanded access (or similar term) and any sale of any Licensed Product by Tarsus or any of its Affiliates or sublicensees to or among themselves.

**1.16** "***INAD***" means an Investigational New Animal Drug filed with the FDA or the equivalent application or filing filed with any equivalent agency or government authority outside of the United States (including any supra-national agency such as in the European Union) necessary to commence animal clinical trials in such jurisdiction, and including all regulations at 21 CFR § 511.1, and equivalent foreign regulations.

**1.17** "***IND***" means an Investigational New Drug Application filed with the FDA or the equivalent application or filing filed with any equivalent agency or government authority outside of the United States (including any supra-national agency such as in the European Union) necessary to commence human clinical trials in such jurisdiction, and including all regulations at 21 CFR § 312 et. esq., and equivalent foreign regulations.

**1.18** "***Know-How***" means all know-how relating to the Compound or any Licensed Product, including, without limitation, inventions (whether patentable or not), technology, discoveries, methods, techniques, and scientific information, medical information, all manufacturing, preclinical, and clinical data, materials, samples, protocols, specifications, processes, structures, trade secrets, analytical and quality control information and procedures, pharmacological, toxicological, and clinical test data and results, stability data, and studies and procedures.

**1.19** "***LianBio Agreement***" means that certain Development and License Agreement entered into by and between Tarsus and LianBio Ophthalmology Limited, as of March 26, 2021.

**1.20** "***LianBio Milestone and Upfront Payments***" means the aggregate amount of upfront payments and milestone payments received by Tarsus under the LianBio Agreement.

**1.21** "***Licensed Know-How***" means all Know-How Controlled by Elanco as of the Effective Date.

**1.22** "***Licensed IP***" means the Licensed Patents and the Licensed Know-How.

**1.23** "***Licensed Patents***" means (a) the patents and patent applications set forth in Exhibit A hereto or otherwise Controlled by Elanco or any of its Affiliates as of the Effective Date and Covering any product that contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths, or any manufacture or use of the foregoing, (b) any patent or patent application Covering any product that contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths, or any manufacture or use of the foregoing where the patent or patent application Covers Know-How Controlled by Elanco or any of its Affiliates and arises after the Effective Date and prior to the Cut-off Date; (c) any patent application filed after the Effective Date on any of the Licensed Know-How; (d) any patent applications claiming priority to any of the foregoing, including continuations, divisionals, continuation-in-part and foreign patent applications, (e) all patents issuing from any of the foregoing patent applications described in (a) through (d); and (f) all reissues, reexaminations, renewals, re-validations, re-registrations, patents of addition, supplementary patent certificates and extensions of any of the foregoing. Notwithstanding the foregoing, the Licensed Patents do not include the Tarsus Patents.

**1.24** "***Licensed Product***" means any product that: (a) contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths; or (b) the manufacture, sale, use or importation of which, absent the

license granted to Tarsus from Elanco under this Agreement, would infringe a Valid Claim of a Licensed Patent.

**1.25** "***Major European Country***" means any of Germany, France, Spain, Italy, and the United Kingdom.

**1.26** "***MTA***" means that certain Material Transfer Agreement dated on or around September 25, 2018.

**1.27** "***NADA***" means a New Animal Drug Application, or any successor applications or procedures, filed with the FDA for approval to market and sell a product in the United States.

**1.28** "***NDA***" means a New Drug Application, or any successor applications or procedures, filed with the FDA for approval to market and sell a product in the United States.

**1.29** "***Net Sales***" means, with respect to a Licensed Product, the gross amount invoiced by Tarsus (including a Tarsus Affiliate) or any sublicensee thereof to unrelated Third Parties, for such Licensed Product in the Field in the Territory during the Royalty Term in the country of sale, less the following items applied consistent with U.S. Generally Accepted Accounting Principles:

(a) Trade, quantity and cash discounts allowed;

(b) Discounts, refunds, rebates, chargebacks, retroactive price adjustments, and any other allowances which effectively reduce the net selling price;

(c) Licensed Product returns and allowances;

(d) That portion of the sales value associated with drug delivery systems, where applicable;

(e) Any tax imposed on the production, sale, delivery or use of the Licensed Product, including, without limitation, sales, use, excise or value added taxes;

(f) Wholesaler inventory management fees;

(g) Allowance for distribution expenses; and

(h) Any other similar and customary deductions which are in accordance with GAAP.

Such amounts shall be determined from the books and records of Tarsus, Affiliates of Tarsus or any sublicensee maintained in accordance with U. S. Generally Accepted Accounting Principles consistently applied. Tarsus further agrees in determining such amounts, it will use Tarsus's then current standard procedures and methodology, including Tarsus's then current standard exchange rate methodology, utilizing a reputable source such as the *Wall Street Journal* or *Reuters*, for the translation of foreign currency sales into U.S. Dollars. For purposes of determining Net Sales, (i) sales of a Licensed Product shall not include transfers, uses or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes, and (ii) sales between or among Tarsus, its Affiliates and sublicensees for re-sale shall be excluded from the computation of Net Sales, but subsequent sales by Tarsus, its Affiliates, and sublicensees to third parties shall be included in the computation of Net Sales.

**1.30** "***Person***" means any individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity.

**1.31** "***Phase 2 Clinical Trial***" means a clinical trial phase 2a, 2b or adaptive design for an indication in the Field that is designed to evaluate clinical efficacy and safety for a pharmaceutical product, in a manner that is generally consistent with 21 C.F.R. § 312.21(b), as amended (or its successor regulation) and/or any analogous applicable law outside of the United States, as applicable.

**1.32** "***Phase 3 Clinical Trial***" means a pivotal clinical trial for an indication in the Field that has a defined dose or a set of defined doses of a pharmaceutical product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with 21 C.F.R. § 312.21(c), as amended (or its successor regulation) and/or any analogous applicable law outside of the United States, as applicable.

**1.33** "***Regulatory Approval***" in a particular country means all approvals (including any applicable governmental price and reimbursement approvals), licenses, registrations, and authorizations of any federal, national, multinational, state, provincial or local Regulatory Authority, department, bureau and other governmental entity that are necessary for the marketing and sale of a Licensed Product in a country.

**1.34** "***Regulatory Authority***" means any applicable governmental authority responsible for granting Regulatory Approvals or pricing approvals for Licensed Products, including the FDA, the European Medicines Agency and any corresponding national or regional regulatory authorities.

**1.35** "***Regulatory Materials***" means any regulatory application, submission, notification, communication, correspondence, registrations, approvals and other filings made to or received from a Regulatory Authority relating to any Licensed Product, including, without limitation, INADs, INDs clinical trial applications, NADAs, NDAs and any other marketing authorizations.

**1.36** "***Regulatory Materials Receipt***" means the date on which Elanco provides Tarsus with the Regulatory Materials in existence as of the Effective Date that are reasonably necessary to research, develop, make, use or otherwise exploit Licensed Products in the Field in the Territory. Such materials include, without limitation, [***], FDA approval letter, and FDA correspondence related to 21 Sep 18 Safety Communication.

**1.37** "***Royalty Term***" means, with respect to any Licensed Product in a given country, the period of time commencing on the date of the First Commercial Sale of such Licensed Product in such country and ending on the latest of: (a) expiry of the last-to-expire of the Licensed Patents which has at least one (1) Valid Claim Covering such Licensed Product in such country; (b) the expiration of regulatory exclusivity for such Licensed Product in such country; and (c) ten (10) years after first commercial sale of such Licensed Product in such country.

**1.38** "***Sensitive Transfer***" means a transfer to a new supplier requiring either a technology transfer, a method transfer or another form of transfer of Licensed Know-How.

**1.39** "***Sublicense Revenue***" means payments that Tarsus receives in consideration for a sublicense of rights under the Licensed IP in the Field.

**1.40** "***Tarsus IP***" means the Tarsus Patents and the Tarsus Know-How. Tarsus IP does not include the Licensed IP.

**1.41** "***Tarsus Know-How***" means Know-How Controlled by Tarsus as of the Effective Date, excluding Licensed Know-How.

**1.42** "***Tarsus Patents***" means (a) patents and patent applications Controlled by Tarsus as of the Effective Date and related to the Compound and Licensed Product; (b) any patent applications claiming priority to any of the foregoing, including continuations, divisionals, continuation-in-part (to the extent the claims thereof are entitled to such priority) and foreign patent applications, and (c) all patents issuing

from any of the foregoing patent applications described in (a) through (b), including all reissues, reexaminations and extensions thereof. Notwithstanding the foregoing, the Tarsus Patents do not include the Licensed Patents.

**1.43** "***Territory***" means the entire world.

**1.44** "***Third Party***" means any Person other than a Party or an Affiliate of a Party.

**1.45** "***TP-03 Research and Development Expenses***" means amounts: (a) that Tarsus commits to and/or receives invoices from clinical research organizations (e.g., Ora, Inc.) ; and/or (b) that other vendor(s) invoice for third-party research and development services rendered for (and only for): (i) toxicology studies, (ii) carcinogenicity studies; or (iii) preservative-free formulation development; in each case of (a) and (b), to the extent reasonably necessary and specifically related to Licensed Products in eyedrop form.

**1.46** "***Valid Claim***" means any claim of any issued and unexpired Licensed Patent that has not been disclaimed, abandoned, revoked or held unpatentable, invalid or unenforceable by final decision of a court or other governmental body of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal. "Valid Claim" shall include any pending claim of any Licensed Patent that has been pending for less than seven (7) years but shall exclude pending claims that have been pending, without approval, for seven (7) years or more.

## 2. LICENSE GRANT; UPSTREAM AGREEMENTS.

**2.1 Elanco License**. Elanco hereby grants to Tarsus and its Affiliates an exclusive (even as to Elanco), perpetual, sublicensable (through multiple tiers), royalty-bearing license, under the Licensed IP, to research, develop, make, use, sell, offer for sale, import and otherwise exploit Licensed Products in the Field in the Territory. Each sublicensee shall agree to comply with the following terms and conditions of this Agreement: Section 2.3, allowing an audit pursuant to Section 6.6, Section 9.2(b) (with respect to the activities of sublicensee and its Affiliates), and Section 10 (with respect to the Confidential Information of Elanco). Tarsus remains fully responsible and liable under this Agreement irrespective of any sublicense.

**2.2 Tarsus License**. Tarsus hereby grants to Elanco a worldwide non-exclusive, perpetual, sublicensable (through multiple tiers), royalty-free license, under the Tarsus IP, to research, develop, make, use, sell, offer for sale, import and otherwise exploit Compounds and Licensed Products in the Elanco Field. Tarsus may sublicense any or all rights and/or obligations under this Agreement.

**2.3 Right of Reference; Samples**. Each Party has right to reference and receive access to all Regulatory Materials for the Compound (and any chemical alteration or improvement of the Compound (e.g. pursuant to Section 8.3)) that are Controlled by the other Party, its Affiliates, or its sublicensees, whether existing as of the Effective Date, generated from any activities of the Parties in connection with this Agreement, solely for the purposes set forth in this Agreement, or otherwise existing after the Effective Date. Elanco will provide Tarsus with reasonable samples of (a) Elanco's chemical alterations or improvements of the Compound, (b) the Compound's related substances, and/or (c) reference standards for the Compound, in each case, after Tarsus's request(s) from time to time. Tarsus shall pay Elanco for such samples at an amount equal to [***] paid by Elanco for such samples plus [***]% thereof.

## 3. REGULATORY TRANSFER; KNOW-HOW TRANSFER.

**3.1** Within [***] days following the date Tarsus pays Elanco the Upfront Payment, Elanco shall provide all information regarding the Licensed Know-How that is Controlled by Elanco as of the Effective Date and is reasonably necessary to research, develop, make, use, or otherwise exploit Licensed Products in the Field in the Territory. Additionally, if Tarsus engages a third party other than

Siegfried to manufacture the Licensed Product and such manufacture requires material manufacturing Know-How not previously provided to Tarsus then Elanco shall provide (or cause Siegfried to provide) such Know-How and Tarsus shall pay Elanco [***]. Total hours of Elanco support will be capped at [***] hours (the "***Hours Cap***"), and total costs paid by Tarsus will be capped at [***] dollars (the "***Dollars Cap***"). If either the Hours Cap or the Dollars Cap is reached and Tarsus requests additional assistance, the Parties will meet to mutually decide on further support. Payment by Tarsus will be made to Elanco within thirty (30) days after the earlier to occur of (a) the Dollars Cap is reached, and (b) the Parties mutually agree that Tarsus has received all of such Know-How. For purposes of clarity, all costs charged by Siegfried in conjunction with the transfer of Know-How will be borne by Tarsus. Provided in any case that Elanco shall only be obliged to provide information to a third party that has been selected in compliance with Section 8.4.

**3.2** Promptly after the Effective Date, Elanco shall provide Tarsus with all Regulatory Materials that are reasonably necessary to research, develop, make, use or otherwise exploit Licensed Products in the Field in the Territory, but, in any case, Elanco shall not be required to provide any particular Regulatory Material to Tarsus more than once. Elanco shall continually provide Tarsus with any relevant updates to the Regulatory Materials promptly after their creation or receipt (as the case may be).

## 4. DEVELOPMENT AND COMMERCIALIZATION.

**4.1 General; Diligence**. Following the Effective Date, as between the Parties, Tarsus, at its expense, shall be responsible for conducting (or causing its Affiliates or sublicensees to conduct) the development and commercialization of the Licensed Products in the Field in the Territory. Tarsus shall use Commercially Reasonable Efforts to develop the Licensed Products and seek and obtain Regulatory Approval for Licensed Products in the Field in the Territory. A summary of the currently intended development activities is attached as Exhibit D. Elanco's sole and exclusive remedy for Tarsus's breach of the foregoing sentence is termination of this Agreement pursuant Section 11.2.

**4.2 Regulatory**. As between the Parties, Tarsus (or its Affiliates or sublicensees) shall be solely responsible, for all regulatory matters relating to the development and commercialization of the Licensed Products in the Field in the Territory and shall coordinate and control the related regulatory strategy and interactions with Regulatory Authorities for the Licensed Products at its own cost. Each Party shall keep the other Party informed about the regulatory process and status for Licensed Products and shall immediately or no later than five (5) business days inform the other Party of any human exposure serious adverse event (as defined in 21 CFR 312.32 and CFR 514.3) or such other matters agreed to in any pharmacovigilance or that would otherwise reasonably be expected to materially adversely affect the other Party's regulatory process for the Licensed Products.

**4.3 Progress Reports**. Within [***] days after January 1 of each year prior to First Commercial Sale, Tarsus shall submit to Elanco a progress report covering in reasonable detail the activities of Tarsus including a listing of serious adverse events, its Affiliates and sublicensees, as applicable, related to the development, regulatory status and commercialization of the Licensed Products in the Territory. All reports provided by Tarsus to Elanco under this Section 4.3 shall be considered Tarsus's Confidential Information.

**4.4 Reversion of Rights**.

**(a)** If neither Tarsus nor any of its Affiliates or sublicensees achieve any of the milestones set forth in Exhibit B (each a "***Diligence Milestone***") by the corresponding achievement deadline date set forth in Exhibit B except for reasons outside of Tarsus' reasonable control, Elanco shall (as its sole and exclusive remedy for such failure) have the right to terminate the Agreement if such Diligence Milestone remains unmet one hundred twenty (120) days after Elanco provides Tarsus notice of such failure.

**(b)** If neither Tarsus nor any of its Affiliates or sublicensees achieve any of the milestones set forth in Exhibit C (each a "***Dermatology Milestone***") by the corresponding achievement deadline date set forth in Exhibit C except for reasons outside of Tarsus' reasonable control, Elanco shall (as its sole and exclusive remedy for such failure) have the right to reduce the Field of Use to "the treatment, palliation, prevention, or cure of any disease or condition in eye care in humans" if such Dermatology Milestone remains unmet one hundred twenty (120) days after Elanco provides Tarsus notice of such failure.

**(c)** Tarsus may, at its option, increase all of the milestone dates set forth in Exhibit B and Exhibit C one time by [***] months by making a one-time payment of $[***].

**(d)** In the case of termination pursuant to Section 4.4(a), Elanco shall be granted nonexclusive, sublicensable rights to the Tarsus Know-How and Tarsus Licensed Patents to develop, manufacture, and commercialize the Compound and Licensed Products in the Field and be provided with Tarsus Know-How (including such regulatory documentation corresponding to the Licensed Product) but not any other assets of Tarsus. Such rights shall be fully paid and royalty free.

## 5. JOINT STEERING COMMITTEE.

**(a)** The parties shall establish a joint steering committee (the "***Joint Steering Committee***" or "***JSC***") consisting of two (2) representatives from each party, which shall serve as a way for Tarsus to inform (and seek advice from) Elanco in the development and Regulatory Approval efforts for the Licensed Product in the Territory and other efforts under this License Agreement. Each party will provide the other Party Notice with the name, title, email address, telephone number of their respective Steering Committee Members. The JSC shall meet as needed but not less than on a quarterly basis (or such other frequency as determined by the JSC).

**(b)** The Steering Committee meetings will be at times agreed by the Parties and will be in such form (e.g., in person, telephone, or video conference) as the members of the Steering Committee agree.

**(c)** A party may change one or more of its representatives to the Steering Committee at any time. Members of the Steering committee may be represented at any meeting by another member of the Steering committee or by a proxy. Either Party may permit additional employees and consultants to attend and participate in the Steering Committee, subject to the confidentiality provisions of the agreement. Each Party is responsible for travel costs for their representatives associated with attending in person JSC meetings.

**(d)** The Steering Committee will be responsible for keeping accurate minutes of its deliberations that record decisions and all actions recommended or taken. Within thirty (30) business days of each JSC meeting, the Parties will be provided with draft minutes of such meeting. Minutes will be deemed approved unless a Steering Committee representative of either Party objects to the accuracy of such minutes. In the event that any such objection is not resolved by the Steering Committee such minutes will be amended to reflect the unresolved objection. All records of the Steering Committee will be considered confidential information and available to both Parties.

## 6. PAYMENTS TO ELANCO.

### 6.1 Upfront Payment and Early Payment.

**(a)** Tarsus shall pay to Elanco an upfront fee of one million dollars (US$1,000,000) (the "***Upfront Payment***") within [***] days after the Effective Date. The Upfront Payment shall not apply if Tarsus does terminate this Agreement pursuant to Section 11.2(c). The Parties acknowledge that Tarsus has issued to Elanco 187,500 of TARS shares pursuant to that certain Letter of Intent dated March 26, 2021, and executed by the Parties.

**(b)** Elanco currently holds 187,500 TARS shares that are subject to a lock-up agreement that extends until March 3, 2022 and 222,460 TARS shares that are not subject to a lock-up. In consideration of Elanco agreeing to subject all TARS shares held by Elanco to a lockup agreement that extends until September 30, 2022 (the "***New Lockup Agreement***"), Tarsus shall pay to Elanco an early payment of [***] dollars (the "***Prepayment Amount***") within [***] days of the Amended and Restated Date. The New Lockup Agreement shall be in a form agreed to by the Parties and entered into on the Amended and Restated Date. The Prepayment Amount shall be creditable, and may be offset against any payment obligations of Tarsus to Elanco, whether under this Agreement or any other agreement between the Parties.

**6.2 Milestones**.

**(a)** First Indication Development Milestones. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below by Tarsus or any of its Affiliates or sublicensees after the Effective Date:

**(i)** [***] dollars upon the [***] of [***] of a Licensed Product;

**(ii)** [***] dollars upon the [***] of [***] of a Licensed Product;

**(iii)** [***] dollars upon the [***] of [***] of a Licensed Product in [***];

**(iv)** [***] dollars upon the [***] of [***] of a Licensed Product in [***];

**(v)** [***] dollars upon the [***] of [***] of a Licensed Product in [***]; and

**(vi)** [***] dollars upon the [***] of [***] of a Licensed Product in [***].

Each of the foregoing milestone payments set forth in this Section 6.2(a) shall be paid no more than once, irrespective of how many Licensed Products achieve each milestone or how many times a Licensed Product achieves such milestone. Accordingly, in no event shall Tarsus pay Elanco more than ten million dollars ($10,000,000) in the aggregate pursuant to this Section 6.2(a). Each milestone payment due pursuant to this Section 6.2(a) shall be paid within [***] days after the achievement of the applicable milestone.

For all purposes of Section 6.2, all indications for the treatment of any type of Blepharitis shall be deemed the same indication. For example, if Tarsus [***] and later [***], then Tarsus would pay the milestone under Section 6.2(a)(i) for the first of [***] but the second [***] would not cause a payment of a milestone pursuant to Section 6.2(b)(i).

**(b)** Development Milestones for Other Indications. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below by Tarsus or any of its Affiliates or sublicensees after the Effective Date:

**(i)** [***] dollars upon the [***] of a Licensed Product for [***];

**(ii)** [***] dollars upon the [***] of a Licensed Product for [***];

**(iii)** [***] dollars upon the [***] of a Licensed Product in [***];

**(iv)** [***] dollars upon the [***] of a Licensed Product in [***];

**(v)** [***] dollars upon the [***] of a Licensed Product in [***]; and

**(vi)** [***] dollars upon the [***] of a Licensed Product in [***].

Each of the foregoing milestone payments set forth in this Section 6.2(b) shall be paid no more than once, irrespective of how many Licensed Products achieve each milestone or how many times a Licensed Product achieves such milestone. Accordingly, in no event shall Tarsus pay Elanco more than ten million dollars ($10,000,000) in the aggregate pursuant to this Section 6.2(b). Each milestone payment due pursuant to this Section 6.2(b) shall be paid within [***] days after the achievement of the applicable milestone.

**(c)** Sales Milestones. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below:

**(i)** [***] dollars after the first calendar year in which Net Sales for such calendar year exceed [***] dollars;

**(ii)** [***] dollars after the first calendar year in which Net Sales for such calendar year exceed [***] dollars; and

**(iii)** [***] dollars after the first calendar year in which Net Sales for such calendar year exceed [***] dollars.

Each of the foregoing milestone payments set forth in this Section 6.2(c) shall be paid no more than once, irrespective of how many times each milestone is achieved. Accordingly, in no event shall Tarsus pay Elanco more than sixty-five million dollars ($65,000,000) in the aggregate pursuant to this Section 6.2(c). Each milestone payments due pursuant to this Section 6.2(c) shall be paid within [***] days after the close of the calendar quarter in which such milestone is achieved.

**(d)** Milestone Status as of the Amended and Restated Date. As of the Amended and Restated Date, the Parties acknowledge and agree that: (i) for all purposes of this Agreement, Tarsus shall be deemed to have achieved each of the milestones described in Sections 6.2(a)(i) and 6.2(a)(ii); and (ii) Tarsus has satisfied its payment obligations required pursuant to Section 6.2(a)(i) and Section 6.2(a)(ii).

**6.3 Sublicense Revenue**.

**(a)** Sublicense Revenue. Tarsus shall pay Elanco a percentage of all Sublicense Revenue. The percentage of such Sublicense Revenue that shall be paid to Elanco shall be as follows (with the appropriate tier being determined for Sublicense Revenue at the time such Sublicense Revenue becomes due to Tarsus, and with such percentage of Sublicense Revenue becoming due to Elanco at the time such Sublicense Revenue is received by Tarsus):

**(i)** For Sublicense Revenue received prior to first [***] of a Licensed Product: [***]%; or

**(ii)** For Sublicense Revenue received after first [***] of a Licensed Product and thereafter: [***]%.

**(b)** Sublicense Revenue Exclusions. Notwithstanding the foregoing, none of the following shall be deemed Sublicense Revenue: [***]. Any assignment of this Agreement, change of control or sale of a program involving rights under the Agreement shall not in any way be deemed the grant of a sublicense. Tarsus shall not act in bad faith to intentionally structure Sublicense Revenue or a sublicense as such in a manner that is intended to prevent payments of Sublicense Revenue to Elanco becoming due.

**(c)** Neither Tarsus nor any of its Affiliates shall act in bad faith to delay invoicing, payments, or the achievement milestones under this Agreement, or any sublicensing agreement permitted hereunder, for the purpose of reducing (or eliminating) Sublicense Revenue which would otherwise be shared with Elanco under this Agreement. In such case, if, absent such bad faith, such invoice, payment, or milestone could have been sent or achieved before Regulatory Approval, then such invoice, payment, or milestone shall be deemed sent or achieved prior to Regulatory Approval for all purposes of Section 6.3(a).

### 6.4 Treatment of Sublicense Revenue for LianBio Agreement.

**(a)** LianBio Research and Development Offset Cap. With respect to the LianBio Agreement, subject to Section 6.4(b) below, [***] dollars of LianBio Milestone and Upfront Payments (and no more than [***] dollars of LianBio Milestone and Upfront Payments) (the "***LianBio R&D Cap***") shall be deemed amounts excluded from Sublicense Revenue pursuant to the R&D Exclusion. For the avoidance of doubt, with respect to the LianBio Agreement, the aggregate R&D Exclusion shall not exceed the LianBio R&D Cap.

**(b)** LianBio Research and Development Offset Cap. If aggregate TP-03 Research and Development Expenses do not meet or exceed the LianBio R&D Cap by [***], then the amount by which the LianBio Milestone and Upfront Payments exceed the aggregate TP-03 Research and Development Expenses shall be deemed Sublicense Revenue and subject to payment pursuant to Section 6.3(a). Elanco acknowledges and agrees that Tarsus has incurred and/or committed to [***] dollars of TP-03 Research and Development Expenses as of the Amended and Restated Date.

**(c)** Clarification on Further Payments. For clarity, Tarsus shall have no obligation to pay Elanco a percentage of Sublicense Revenue received after [***] of a Licensed Product except to the extent LianBio or Tarsus act in bad faith to delay invoicing, payments, or the achievement milestones of LianBio under the LianBio Agreement for the purpose of reducing (or eliminating) Sublicense Revenue which would otherwise be shared with Elanco under this Agreement. In such case, if, absent such bad faith, such invoice, payment, or milestone could have been sent or achieved before [***], then such invoice, payment, or milestone shall be deemed sent or achieved prior to [***] for all purposes of Section 6.3(a).

**(d)** No Double Counting. For clarity, any TP-03 Research and Development Expenses excluded from Sublicense Revenue under the LianBio Agreement in accordance with Section 6.4(a) shall not be excluded from Sublicense Revenue under a separate sublicense.

**(e)** Deemed Timing of Sublicense Revenue. All consideration received by Tarsus pursuant to the LianBio Agreement shall be deemed received after the Amended and Restated Date (even if such amounts were received prior to the Amended and Restated Date).

**(f)** Creditable Sublicense Revenue Advance. Within [***] days after the Amended and Restated Date, Tarsus shall pay Elanco [***] dollars as a non-refundable advance that is creditable and may be offset against future obligations of Tarsus pursuant to Section 6.3(a) (whether as a result of Sublicense Revenue under the LianBio Agreement or Sublicense Revenue under other agreements) (the "***Advance Sublicense Payment***"). The Parties acknowledge that the Advance Sublicense Payment has been paid in full. For clarity, the creditable aspect of the Prepayment Amount and the amount of the Advance Sublicense Payment are cumulative.

**(g)** For the avoidance of doubt, the alternative arrangements indicated above for the LianBio Agreement and particularly the exclusion of R&D expense were agreed to by Elanco on a one-off basis and shall not form the basis for future sublicenses.

### 6.5 Royalties.

**(a)** Royalty Rate. Subject to the other terms of this Section 6.5, for each calendar year during the Royalty Term Tarsus shall pay:

**(i)** [***] percent royalty on the first [***] dollars of Net Sales of a Licensed Product in such calendar year;

**(ii)** [***] percent royalty on the next [***] dollars of Net Sales of a Licensed Product in such calendar year (i.e. the portion of such Net Sales between US$[***] and $US[***] in such calendar year);

**(iii)** [***] percent royalty on the next [***] dollars of Net Sales of a Licensed Product in such calendar year (i.e. the portion of such Net Sales between US$[***] and $[***] in such calendar year); and

**(iv)** [***] percent royalty on all Net Sales of a Licensed Product in such calendar year in excess of [***] dollars (i.e. the portion of such Net Sales over $[***] in such calendar year).

**(b)** No Multiple Royalties. No multiple royalties shall be payable hereunder because the use, manufacture or sale of any Licensed Product is Covered by more than one Valid Claim.

**(c)** Timing of Payments; Reports. Commencing with the calendar quarter during which the First Commercial Sale of the first Licensed Product is made anywhere in the Territory, and for each calendar quarter thereafter during the Royalty Term during which royalties are due hereunder, Tarsus shall provide Elanco with a report that contains the following information for the applicable calendar quarter, on a Licensed Product-by-Licensed Product and country-by-country basis: (i) the amount of gross sales of the Licensed Products, (ii) an itemized calculation of Net Sales showing deductions provided for in the definition of "Net Sales", (iii) a calculation of the royalty payment due on such sales, and (iv) the exchange rate for such country. Tarsus shall provide such report and make corresponding payment to Elanco within forty-five (45) days after the end of each calendar quarter.

**(d)** Exchange Rate. When conversion of payments from any foreign currency is required, such conversion shall be calculated using an exchange rate equal to the rate of exchange published in the Wall Street Journal on the last business day of the applicable calendar quarter for which payment is due.

**(e)** No deductions for third party licenses. No deductions from any payments under this agreement shall be made because Tarsus is required to make payments, royalty payments or otherwise, to third parties to obtain rights or licenses to intellectual property rights in respect of a Licensed Product.

**(f)** Royalty Reduction. If at any time during the Royalty Term for a given Licensed Product in a given country, there is no Valid Claim Covering such Licensed Product in such country, then the royalty rate payable by Tarsus pursuant to Section 6.4(a) shall be reduced to [***] percent of the rates set forth in Section 6.4(a).

**6.6 Mode of Payment**. Tarsus shall pay all payments to Elanco under this Agreement by wire transfer of immediately available funds to a USD functional bank account designated in writing by Elanco, in U.S. Dollars or such other currency as the Parties may mutually agree in writing.

**6.7 Audit**. Tarsus shall keep or cause to be kept books of account containing all information that may be necessary for the purpose of calculating amounts payable by Tarsus in connection with this Agreement for a period of three (3) calendar years following the end of the calendar year during which such amounts were payable. Elanco may appoint an independent public accountant (on a non-contingency basis and reasonably acceptable to Tarsus; any "Big 4" accountant shall be deemed acceptable to Tarsus), at Elanco's expense and subject to such accountant entering into a confidentiality agreement with Tarsus, to inspect such books of account in order to verify the calculation of any

amounts payable to Elanco hereunder. Such inspections shall be performed not more frequently than once in any twelve (12) month period and upon reasonable prior written notice, and shall be conducted during regular business hours in such a manner as to not unreasonably interfere with Tarsus's normal business activities. Elanco's accountant may only share with Elanco the report containing the summary results of its inspection, but not the books of account reviewed by the accountant during the audit, and such report shall constitute Tarsus's Confidential Information. If any such inspection reveals that any payment which should have been paid by Tarsus is greater than those which were actually paid by it and such underpayment is not disputed by Tarsus, then Tarsus shall promptly pay the underpaid amount to Elanco. If the undisputed payments which should have been paid by Tarsus are at least [***] percent greater than those which were actually paid by Tarsus, then Tarsus shall also reimburse Elanco for the reasonable out-of-pocket costs of such inspection.

**6.8 Taxes**. Each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising directly or indirectly from its activities or receipt of payments under this Agreement. To the extent Tarsus is required to deduct and withhold taxes on any payment to Elanco hereunder, it shall deduct such amounts from payments to Elanco and pay the amounts of such taxes to the proper governmental authority in a timely manner and promptly transmit to Elanco an official tax certificate or other evidence of such withholding sufficient to enable Elanco to claim such payment of taxes. Elanco shall provide Tarsus any tax forms that may be reasonably necessary in order for Tarsus not to withhold tax or to withhold tax at a reduced rate under an Applicable Law or bilateral income tax treaty.

**6.9 Sales Forecast**. Within [***] days after January 1 of each calendar year, Tarsus shall provide Elanco with Tarsus's projected Net Sales over the next [***] calendar years. For clarity, such projections would be for informational purposes only and the foregoing is not binding on Tarsus in any way.

## 7. INTELLECTUAL PROPERTY.

### 7.1 Prosecution and Maintenance of Licensed Patents.

**(a)** Elanco shall be solely responsible for prosecution and maintenance of the Licensed Patents including, but not limited to, the filing of patent applications included therein. Elanco shall keep Tarsus reasonably informed with respect to the status and progress of any such applications, prosecutions and maintenance activities. Elanco shall consider in good faith the comments of Tarsus with respect to any such applications and prosecutions and maintenance activities.

**(b)** Elanco may, in its sole discretion, elect to abandon any issued patent or pending patent application included in the Licensed Patents, or not file any patent application with respect thereto in any country. Prior to any such abandonment or decision not to file in any country, Elanco shall give Tarsus at least [***] days' notice and a reasonable opportunity to take over such maintenance, prosecution or filing. In such event, Tarsus shall have the right, but not the obligation, to commence or continue such maintenance, prosecution or filing under its own control and at its sole expense. Tarsus shall have no further payment obligations (including with respect to royalties and milestone payments) or other obligations to Elanco with respect to any such patents or patent applications or patents issuing from such applications.

### 7.2 Enforcement of Licensed IP.

**(a)** During the Royalty Term, each Party shall promptly provide written notice to the other Party of any actual or alleged infringement or misappropriation in the Field by any Third Party of any intellectual property rights included in the Licensed IP of which it becomes aware. Elanco shall have the first right, but not the obligation, to enforce the Licensed IP against any such infringement or misappropriation claim in the Field at its own expense and utilizing counsel of its choice. Elanco shall neither settle nor voluntarily dispose of any action to enforce the Licensed IP in the Field without

Tarsus's written consent. If Elanco desires to voluntarily dispose of any action to enforce the Licensed IP in the Field then Elanco shall notify Tarsus and offer Tarsus the opportunity to assume control of such enforcement action ("***Voluntary Disposal Notice***"). If Tarsus notifies Elanco of its election to assume control of such enforcement action then Elanco shall take all reasonable actions necessary to allow Tarsus to properly do so. Elanco may voluntarily dispose of such enforcement action if: (i) Tarsus notifies Elanco that it does not desire to assume control of such enforcement action; or (ii) Tarsus does not notify Elanco of any election within [***] days after Elanco provides Voluntary Disposal Notice.

**(b)** With respect to any potential enforcement under subsection (a) above, if Elanco does not notify Tarsus of its intention to enforce against such alleged infringement or misappropriation within [***] days of the date Elanco becomes aware of such alleged infringement or misappropriation, or does not commence prosecution of such claim within [***] days after the date Elanco becomes aware of such alleged infringement or misappropriation, then, Tarsus shall have the right, but not the obligation, to prosecute such claim at its own expense and utilizing counsel of its choice.

**(c)** The enforcing Party shall regularly update the other Party in writing with respect to the status of any such enforcement actions. Any recovery of damages by shall be applied (i) first, in satisfaction of any unreimbursed expenses and legal fees of the enforcing Party, (ii) second, in satisfaction of any unreimbursed expenses and legal fees of the other Party, and (iii) third, if additional recoveries remain after all of the unreimbursed expenses and legal fees are fully paid as set forth in (i) and (ii), the balance remaining with respect to any such recovery shall be retained by (or paid by Elanco to, as the case may be) Tarsus and such amount shall be treated as Net Sales and subject to the payment of royalties pursuant to Section 6.3.

**(d)** At the request of the Party bringing the action, the other Party shall provide reasonable assistance in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party plaintiff to the action if required to obtain necessary standing.

**7.3 Improvements.** Elanco shall own any invention conceived by or for Elanco from the use of the Compound or otherwise derived by or for Elanco from the Compound ("***Elanco Improvements***"). Tarsus shall own any invention conceived by or for Tarsus from the use of the Compound or otherwise derived by or for Tarsus from the Compound ("***Tarsus Improvements***"). To the extent any Research Invention (as such term is defined in the MTA) exists, Elanco hereby assigns such Research Invention to Tarsus. Tarsus hereby grants Elanco an exclusive royalty-free, perpetual license to the Research Inventions and Tarsus Improvements for applications in the Elanco Field). This Section 7.3 amends and supersedes Section 7 of the MTA entirely, such that Section 7 of the MTA shall have no further force or effect.

## 8. MANUFACTURE AND SUPPLY.

**8.1 Initial Supply Terms**. Each calendar quarter, Tarsus shall supply Elanco with a written, non-binding forecast showing good faith estimations of its (and its Affiliates' and sublicensees') quarterly requirements for the Compound for the following four (4) calendar quarters (the "***Forecast***"). Elanco shall manufacture (or have manufactured) and supply to Tarsus quantities of the Compound as and when reasonably requested by Tarsus to the extent within the Forecast. Tarsus's price for all Compounds purchased pursuant to this Section 8.1 shall be the price at which Elanco purchases such Compound plus [***] percent thereof.

**8.2 Manufacturing and Supply Agreement**. The Parties agree to enter into a good-faith more detailed manufacturing and supply agreement within a reasonable timeframe. The supply agreement should provide for a stated supply price (which price shall represent a small markup over Elanco's costs).

**8.3 Change of chemistry**.

**(a)** Tarsus acknowledges and agrees that Elanco shall be free to use alternate chemistry and improve the Compound in its sole discretion without Tarsus consent.

**(b)** Elanco shall provide Tarsus with [***] days prior notice (the "***Compound Change Period***") if Elanco will cease to provide any Compound previously provided to Tarsus pursuant to a chemical change and will supply Tarsus with any quantities of such Compound requested by Tarsus during the Compound Change Period (even if such quantities exceed the amount projected in the Forecast).

**8.4 Have Made Rights**. For clarity, Section 2.1 grants Tarsus the right to have a third party make the Compound for Tarsus. Elanco must approve such third party supplier unless: (a) the transfer to the supplier qualifies as Sensitive Transfer); or (b) such supplier is reputable and credible. Such approval shall not be unreasonably withheld, conditioned, or delayed. For all purposes of the foregoing, the following entities and their Affiliates shall be deemed credible and reputable (and shall not require Elanco consent): [***] (or any Affiliate of the foregoing), [***].

## 9. INDEMNIFICATION; INSURANCE.

**9.1 Indemnification by Elanco**. Elanco shall indemnify, defend and hold harmless Tarsus, its Affiliates, and its and their respective officers, directors, employees, agents, successors and assigns against all third party losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses (collectively, "***Losses***"), resulting from (a) any action instituted against any of them by any Third Party arising out of from Elanco's breach of any representation, warranty or obligations pursuant to this Agreement, or (b) the gross negligence or willful misconduct of Elanco, except, in each case, to the extent such Losses are Losses for which Tarsus is obligated to indemnify Elanco pursuant to Section 9.2 or to the extent such Losses arise from the breach by Tarsus or its Affiliates of its representations, warranties or obligations under this Agreement or from the failure of any sublicensees to comply with any obligations required of sublicensees under this Agreement.

**9.2 Indemnification by Tarsus**. Tarsus shall indemnify, defend and hold harmless Elanco, its Affiliates, and its and their respective officers, directors, employees, agents, successors and assigns against all Losses resulting from (a) Tarsus's breach of any representation, warranty or obligations pursuant to this Agreement, ,(b) the gross negligence or willful misconduct of Tarsus; or (c) the development, making, having made, using, having used, leasing, importing, offering to sell, selling and/or having sold, any Compound or Licensed Product by Tarsus, its Affiliates and sublicensees or the failure of any of them to comply with Applicable Law in connection with any such activities, except, in each case, to the extent Elanco is required to indemnify Tarsus under Section 9.1 for such Losses or to the extent such Losses arise from the breach by Elanco or its Affiliates of its representations, warranties or obligations under this Agreement.

**9.3 Indemnification Procedure**. The indemnified party shall promptly notify the indemnifying party in writing of any action for which it intends to seek indemnification hereunder and cooperate reasonably with the indemnifying party at the indemnifying party's sole cost and expense. The indemnifying party shall have the right, within thirty (30) days after being so notified, to assume the defense of any action with counsel of its choice that is reasonably satisfactory to the indemnified party. The indemnifying party shall not settle any action in a manner that adversely affects the rights of any indemnified party without the indemnified party's prior written consent, which consent shall not be unreasonably withheld or delayed. The indemnified party's failure to provide prompt notice to the indemnifying party of any action shall not relieve the indemnifying party of its obligations under this Section 9.3 except to the extent that the indemnifying party can demonstrate that it has been materially prejudiced as a result of the failure. Subject to the indemnifying party's right to control the defense and settlement thereof, the indemnified party may participate in and observe the proceedings at its own cost and expense with counsel of its own choosing. A Party shall not be responsible for the indemnification

or defense of the other Party to the extent arising from any negligent or intentional acts by such Party, or the breach by such Party of any representations, obligations or warranty under this Agreement, or any claims compromised or settled without prior written consent.

**9.4 Limitation of Liability.** Except with respect to a breach of Section 10, or a Party's liability pursuant to Section 9 or Section 7.2, neither Party shall be liable for special, incidental, consequential, exemplary, punitive, or other indirect or remote damages, or loss of profits, loss of data or loss of use damages arising in any way out of this Agreement or the exercise of its rights hereunder, whether based upon warranty, contract, tort, strict liability or otherwise.

**10. CONFIDENTIALITY.**

**10.1 Non-Disclosure and Non-Use**. Each Receiving Party shall:

**(a)** not disclose any Confidential Information of the Disclosing Party to any Person other than (i) Persons who have a "need to know" such information for purposes of the Receiving Party's performance or exercise of rights under this Agreement, and (ii) any Affiliates or sublicensees (or potential sublicensees) of the Receiving Party or other Persons working on the Receiving Party's behalf (including without limitation consultants, contract manufacturers, and independent contractors), provided that any such Person agrees to be bound by terms and conditions no less stringent than those set forth in this Section 10; and

**(b)** not use any Confidential Information of the Disclosing Party for any purpose other than in connection with performing its obligations or exercising its rights under this Agreement.

**10.2 Disclosure Required by Applicable Law**. Section 10.1 shall not apply to Confidential Information which the Receiving Party is required by Applicable Law (including, without limitation, any reporting requirements arising under the federal securities laws or the regulations promulgated by any national securities exchange on which securities of the Receiving Party are traded), court order, or similar requirements to disclose, provided that the Receiving Party:

**(a)** provides the Disclosing Party with prompt written notice thereof such that the Disclosing Party may seek a protective order or other appropriate remedy with respect to such Confidential Information, including, without limitation, confidential treatment to the extent available under any Applicable Law, and the Receiving Party shall provide the Disclosing Party with reasonable cooperation in order to obtain such a protective order or other remedy, including confidential treatment, and

**(b)** discloses only that portion of the Confidential Information that is legally compelled to disclose.

**10.3 Permitted Disclosures**. Section 10.1 shall not prevent either Party from (a) preparing, filing, prosecuting, defending or maintaining Licensed Patents, (b) disclosing Confidential Information to Regulatory Authorities to the extent the Receiving Party reasonably believes it is required or desirable in connection with clinical testing of any Licensed Product or to secure Regulatory Approval for the development or marketing of any Licensed Product, (c) disclosing Confidential Information to the extent required by the Securities and Exchange Commission or applicable tax authorities, (d) disclosure to a Third Party in connection with due diligence by such Third Party, and disclosure to potential Third Party investors in confidential financing documents, provided that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use, to the extent possible.

**11. TERM; TERMINATION.**

**11.1 Term; Expiration**. This Agreement shall commence on the Effective Date and, unless sooner terminated as provided hereunder, shall expire on a Licensed Product-by-Licensed Product and

country-by-country basis upon the expiration of the Royalty Term with respect to such Licensed Product in such country. Following such expiration of the Royalty Term, the license granted by Elanco to Tarsus in Section 2.1 with respect to such Licensed Product in such country shall become fully-paid, royalty-free, worldwide, exclusive, and perpetual.

**11.2 Termination**.

**(a)** Upon any material breach or default of this Agreement by a Party, the other Party shall have the right to terminate this Agreement upon giving sixty (60) days' prior written notice thereof to the breaching Party. Such termination shall become effective thirty (30) days after at the end of such sixty (60) day period unless the breaching Party shall have cured any such breach or default prior to the expiration of such sixty (60) day period; or if such breach cannot be reasonably cured within sixty (60) days, but the breaching Party has commenced reasonable actions to cure such breach, then such longer period as may be required to cure such breach provided that the breaching Party continues to diligently cure such breach. If the material breach or default by the breaching Party applies only to a given country, the other Party may only terminate this Agreement with respect to such country and thereafter the Territory shall no longer include the country in which such termination has occurred.

**(b)** No such termination by a Party pursuant to Section 11.2(a) shall be effective prior to the resolution of any dispute with respect to the occurrence of any material breach of or default under this Agreement as to which such Party seeks to exercise such right of termination. If as a result of such dispute resolution process it is determined that a Party's notice of breach was proper, then such notice shall be deemed to have been effective if the breaching Party fails thereafter to cure such breach in accordance with the determination made in the resolution process within the applicable cure period following such determination. If as a result of such dispute resolution process it is determined that the notice of breach was improper, then no such notice shall be deemed to have been effective and this Agreement shall remain in effect. All of the terms and conditions of this Agreement shall remain in full force and effect during the pendency of such dispute resolution process.

**(c)** Tarsus may terminate this Agreement immediately upon notice to Elanco within thirty (30) business days after the Effective Date: (a) if, in Tarsus's reasonable discretion, the Regulatory Materials reveal any fact that would adversely affect the development and/or regulatory approval of a Licensed Product in any way; or (b) Regulatory Materials Receipt does not occur within twenty (20) days after the Effective Date.

**(d)** If Tarsus or any of its Affiliates or sublicensees, directly or indirectly, (i) initiates or requests an interference or opposition proceeding with respect to any Licensed Patents; (ii) makes, files or maintains any claim, demand, lawsuit, or cause of action to challenge the validity or enforceability of any Licensed Patents; or (iii) opposes any extension of, or the grant of a supplementary protection certificate with respect to, any Licensed Patents (any of (i) – (iii) a "Challenge"), Elanco shall have the right to terminate this Agreement upon thirty (30) days written notice to Tarsus. Any such termination shall only become effective if Tarsus or its Affiliate or sublicensee, as applicable, has not withdrawn such action before the end of the above notice period. Notwithstanding the foregoing, Elanco may not terminate this Agreement for a direct or indirect Challenge made by a sublicensee if Tarsus terminates the sublicense to such sublicensee within thirty (30) days after Elanco notifies Tarsus of such Challenge.

**11.3 Effect of Expiration or Termination**.

**(a)** Upon termination of this Agreement for any reason, the license (and sublicense) granted to Tarsus under Section 2.1 shall terminate in full with respect to the country(ies) and Licensed Product(s) which are the subject of such termination.

**(b)** Notwithstanding subsection (a) above, Tarsus, its Affiliates and/or any sublicensee thereof may elect to sell all finished Licensed Products and any Licensed Products in the process of manufacture at the time of such termination for a period not to exceed [***] months after such

termination, provided that Tarsus shall pay or cause to be paid to Elanco all royalty payments in accordance with Section 6.3 with respect thereto.

**(c)** Upon termination of this Agreement for any reason and following any request by the relevant sublicensee (provided that such sublicensee is then in compliance with the applicable terms of this Agreement in all material respects), any sublicense of the Licensed IP shall become a direct license between such sublicensee and Elanco (but shall not obligate Elanco beyond the terms of this Agreement) and such sublicensee shall assume all of Tarsus's payment obligations to Elanco under this Agreement with respect to such sublicensee's activities (and those of its Affiliates and sublicensees).

**(d)** Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of either Party prior to such termination or expiration. Additionally, the following terms shall survive termination or expiration of this Agreement: Sections 2.2 (unless terminated by Tarsus pursuant to Section 11.2(a)), 6.1, 6.6, 6.7, 9, 10, 11, and 13. Termination or expiration of this Agreement shall not affect or prejudice any right of either Party to receive payments due hereunder or for which the event giving rise to such payment obligation has occurred prior the effectiveness of such termination or expiration or preclude or hinder the terminating Party from also bringing, amending or pursuing an action against the other Party for damages and all other available legal and equitable remedies.

**(e)** Upon termination of this Agreement by Elanco under Section 4.4 (a) or Section 11.2 (a) Tarsus shall as soon as reasonably practicable provide Elanco with copies of all documented technical and other information Controlled by Tarsus that is both: (i) specific to preclinical documentation and technical information with respect to a Licensed Product; and (ii) which are necessary for the development, manufacture and commercialization of the Licensed Product. Notwithstanding the foregoing, Tarsus shall have no obligation to provide any Regulatory Materials or clinical information or data and Elanco shall have no right to (and shall not) reference any Regulatory Materials of Tarsus after such termination.

**(f)** Upon termination of this Agreement by Elanco under Section 4.4(a) or Section 11.2(a) or Section 11.2(d), Tarsus shall promptly return all Confidential Information of Elanco.

**12. REPRESENTATIONS AND WARRANTIES.**

**12.1 Mutual Representations and Warranties**. Each Party hereby represents and warrants to the other Party as follows:

**(a)** Corporate Existence and Power. It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder.

**(b)** Authority and Binding Agreement. As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) the Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

**(c)** No Conflict. It is not a party to any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under the Agreement.

**12.2 Additional Representations and Warranties of Elanco**. Elanco represents and warrants to Tarsus as of the Effective Date that:

**(a)** it has all rights under the Licensed IP to grant the licenses to Tarsus as purported to be granted pursuant to this Agreement (including, without limitation, without any payment to any Third Party);

**(b)** it has not received any written notice from any Third Party asserting or alleging that any research or development of any Licensed Product by or on behalf of Elanco prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party;

**(c)** there are no actual, pending, alleged or, to Elanco's knowledge, threatened adverse actions, suits, claims, interferences or formal governmental investigations involving the Licensed Products and/or the Licensed IP by or against Elanco in or before any court or governmental authority;

**(d)** there are no patents or patent applications Controlled by Elanco or its Affiliates, other than the Licensed Patents, that would prevent Tarsus or its Affiliates or sublicensees from developing, manufacturing and/or commercializing Licensed Products as set forth herein or from exploiting the rights granted under Section 2.1; and

**(e)** the Licensed Patents cover the Compound.

**12.3** Additional Representations, Warranties and Covenants of Tarsus.

Tarsus represents, warrants and covenants that:

**(a)** to its knowledge, no employee, consultant, contractor, agent, or other representative performing services under this Agreement or any agreement between Tarsus and any other Party contracted by Tarsus to perform work hereunder has been debarred or disqualified, or is under investigation for being debarred or disqualified by the FDA, EMEA, or other regulatory authority. Tarsus agrees to promptly notify Elanco if it learns of any such action; and

**(b)** as of the Effective Date, it has (or reasonably believes it can obtain or contract third parties to provide) the capability, resources, and expertise to fulfill its obligations under this Agreement in compliance with Applicable Law to the extent such capability, resources, and expertise would reasonably be possessed by a company in a similar stage of financing and development as Tarsus.

**12.4 No Other Representations or Warranties**. EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 12, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, IS MADE OR GIVEN BY OR ON BEHALF OF EITHER PARTY. ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

## 13. MISCELLANEOUS.

**13.1 Relationship of Parties**. Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, employer-employee or joint venture relationship between the Parties. Each Party's performance under this Agreement is that of a separate entity.

**13.2 Assignment**. Elanco shall be entitled to freely assign this Agreement or any portion thereof. Tarsus shall not be entitled to assign its rights hereunder without the express written consent of the other

Party, except that Tarsus may assign this Agreement: (a) to any of the following entities or any of their Affiliates: [***]; or any entity listed on a publicly traded exchange and with a market capitalization in excess of US$[***] (each of the foregoing, a "***Permitted Assignee***"); or (b) to an Affiliate.

**13.3 Further Assurances**. At any time or from time to time after the Effective Date, each Party, at the other Party's reasonable request, shall execute and deliver such other documents, agreements and instruments (including instruments of sale, transfer, conveyance, assignment and confirmation), provide such materials and information and take such other actions as the other Party may reasonably deem necessary or desirable in order more effectively effectuate the transactions contemplated by this Agreement.

**13.4 Notice**. Any notice or request required or permitted to be given under or in connection with this Agreement shall be deemed to have been sufficiently given if in writing and personally delivered or sent by certified mail (return receipt requested), or overnight express courier service (signature required), prepaid, to the Party for which such notice is intended, at the address set forth for such Party below:

**(a)** In the case of Tarsus, to:

[***]

with a copy to:

[***]; and

Gunderson Dettmer Stough Villeneuve Franklin and Hachigian LLP
3570 Carmel Mountain Rd
San Diego, CA 92130
Attn: Brendan C. McCarthy
Email: [***]

**(b)** In the case of Elanco, to:

Elanco US Inc.
2500 Innovation Way N
Greenfield IN 46140
Attn: Edward D McGruder
Email: [***]

with a copy to:

Elanco US Inc.
2500 Innovation Way N
Greenfield IN 46140
Attn: General Patent Counsel
Email: [***]

_____

or to such other address for such Party as it shall have specified by like notice to the other Party. If delivered personally, the date of delivery shall be deemed to be the date on which such notice or request was given, unless otherwise set forth in this Agreement. If sent by overnight express courier service, the date of delivery shall be deemed to be the next business day after such notice or request was deposited with such service, unless otherwise set forth in this Agreement. If sent by certified mail, the

date of delivery shall be deemed to be the third business day after such notice or request was deposited with the U.S. Postal Service, or the foreign equivalent thereto, unless otherwise set forth in this Agreement.

**13.5 Public Announcements**. Except as required by Applicable Law (including, without limitation, disclosure requirements of the U.S. Securities and Exchange Commission, Nasdaq or any other stock exchange on which securities issued by Elanco are traded) and as permitted by Section 10.3, neither Party shall make any public announcement that the Parties have entered into this Agreement, without the prior written consent of the other Party (which shall not be unreasonably withheld). A Party shall be deemed to provide consent to any public announcement if it does not notify the other Party of its rejection within ten (10) days after receiving such proposed public announcement.

**13.6 Waiver; Remedies**. A waiver by either Party of any of the terms and conditions of this Agreement in any instance must be made expressly in writing and signed by an authorized representative of such Party. Any such waiver shall not be deemed or construed to be a waiver of such term or condition for the future, or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either Party.

**13.7 Severability**. Each provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under Applicable Law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

**13.8 Amendment**. No amendment, modification or supplement of any provisions of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

**13.9 Governing Law**. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without regard to its principles of conflicts of laws.

**13.10 Entire Agreement**. This Agreement, together with the Exhibits hereto, sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and merges all prior discussions, negotiations and agreements between them related to the subject matter hereof. For clarity, this Agreement supersedes and replaces the Confidentiality Agreement as of the Effective Date.

**13.11 Parties in Interest**. All the terms and provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective permitted successors and permitted assigns. Nothing in this Agreement, either express or implied, is intended to or shall confer upon any Third Party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, which right, benefit or remedy such Third Party would not have independent of this Agreement.

**13.12 Counterparts**. This Agreement may be executed simultaneously in any number of counterparts, any one of which need not contain the signature of more than one Party but all such counterparts taken together shall constitute one and the same agreement.

**13.13 Interpretations and Definitions**. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement. All words and defined terms used in this Agreement shall have the same meaning whether used in the singular or plural form. When used in this Agreement, (a) the term "day" or "days" shall mean calendar days, unless otherwise indicated herein, and (b) the term "including" means "including, without limitation." This Agreement has been prepared jointly and shall not be strictly construed against either Party.

**REMAINDER OF PAGE INTENTIONALLY BLANK.**
**SIGNATURE PAGE FOLLOWS.**

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be executed by its duly authorized representative as of the Amended and Restated Date.

TARSUS PHARMACEUTICALS, INC.

By: /s/ Bobak Azamian

Name: Bobak Azamian

Title: Chief Executive Officer

ELANCO TIERGESUNDHEIT AG

By: /s/ Olivier Froelich

Name: Olivier Froelich

Title: VP External Manufacturing

**Exhibit A**

**Licensed Patents**

**[***]**

**Exhibit B**

**Diligence Milestones**

| Diligence Milestone | Achievement Deadline |
|---|---|
| [***] | [***] months from agreement date |
| [***] | [***] months |
| [***] | [***] years |
| [***] | [***] years |

**Exhibit C**

**Dermatology Milestones**

| Diligence Milestone | Achievement Deadline |
|---|---|
| [***] | [***] months from agreement date |
| [***] | [***] months |
| [***] | [***] years |
| [***] | [***] years |

**Exhibit D**

Summary of the intended development and commercialization activities.
[***]

**Exhibit 10.2**

# AMENDED AND RESTATED LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT (the "***Agreement***"), is made and entered into by and between Elanco Tiergesundheit AG, a Swiss corporation having place of business at Mattenstrasse 24A, 4058 Basel, Switzerland ("***Elanco***") and Tarsus Pharmaceuticals, Inc., a Delaware corporation having its principal offices at 15440 Laguna Canyon Rd., Suite 160, Irvine, CA 92618 ("***Tarsus***") as of June 3, 2022 (the "***Amended and Restated Date***"), and amends and restates in its entirety that certain License Agreement made and entered into by and between Elanco and Tarsus as of September 3, 2020 (the "***Effective Date***") (the "***Original Agreement***"). Each of Elanco and Tarsus may be referred to herein as a "***Party***" and collectively as the "***Parties.***"

*BACKGROUND*

A. Elanco is the owner, and has the right to license the Licensed IP (as defined below) on and subject to the terms and conditions set forth in this Agreement.

B. Tarsus wishes to license the Licensed IP, and Elanco is willing to grant to Tarsus a license under the Licensed IP, on and subject to the terms and conditions set forth in this Agreement.

C. The Parties wish to clarify certain terms from the Original Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements of the Parties contained in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

**1. CERTAIN DEFINITIONS**. In addition to any terms defined elsewhere in this Agreement, the following terms, when used in this Agreement, shall have the meanings set forth in this Section 1.

**1.1** "***Affiliate***" means, with respect to an entity, any other entity which controls, is controlled by, or is under common control with such first entity (but only so long as such control exists), whether as of the Effective Date or any time after the Effective Date. The term "***control***", in relation to an entity, means the ownership or control, directly or indirectly, of fifty percent (50%) or more of the shares (or other securities or rights) entitled to vote for the election of directors or other governing authority of such entity.

**1.2** "***Applicable Law***" means, with respect to any Person or matter, any and all laws, ordinances, constitutions, regulations, statutes, treaties, rules, codes, licenses, requirements and injunctions adopted, enacted, implemented, promulgated, issued, entered by or under the authority of any governmental body having jurisdiction over such Person or matter or any Person's properties or assets.

**1.3** "***Change of Control***" shall mean any transaction defined as a "Liquidation Event" in the Restated Certificate.

**1.4** "***Commercially Reasonable Efforts***" of a Party means, with respect to an objective, the reasonable, diligent, good faith efforts of a Party, (which it may effect through the efforts of its Affiliates, and sublicensees) of the type to accomplish such objective as a similarly situated (with respect to size, stage of development, and assets) pharmaceutical company, as the case may be, would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that, with respect to efforts to be expended in relation to a product (including implementation of development and commercialization strategies), such efforts shall be substantially equivalent to those

efforts and resources that a similarly situated pharmaceutical company, as the case may be, would typically devote to its own internally discovered compound or product, which compound or product is at a similar stage in its development or product life and is of similar market and economic potential as products expected to result from the Compounds at a similar stage in their development or product life, taking into account the risks of development, the commercial potential for the Product, its proprietary position and other relevant factors.

**1.5** "***Compound***" means Lotilaner and any salts, stereo isomers, prodrug, ester, metabolite, solvate, or polymorph thereof, and any derivative of the foregoing containing one or more atoms substituted with a radioisotope (including a derivative containing deuterium).

**1.6** "***Confidential Information***" means information that is disclosed by one Party (the "***Disclosing Party***") to the other Party (the "***Receiving Party***") in connection with this Agreement (which may include, without limitation, trade secrets, technology, information pertaining to business operations and strategies, and information pertaining to customers, pricing and marketing information) or considered confidential under the Eye Care and Dermatology License Agreement as well as all information provided in the data room by Elanco as of the Effective Date. Confidential Information does not include information that: (a) was already known to the Receiving Party prior to disclosure by the Disclosing Party; (b) is independently developed by the Receiving Party; (c) was or becomes generally known by the public other than as a result of a breach of this Agreement or the Eye Care and Dermatology License Agreement by the Receiving Party; or (d) was received by the Receiving Party from a Third Party who was not, at the time of disclosure, under any obligation to the Disclosing Party or any of its Affiliates to maintain the confidentiality of such information.

**1.7** "***Control***", "***Controls***" or "***Controlled by***" means, with respect to any item of or right under any intellectual property, as the context requires, the possession (whether by ownership or license, other than pursuant to this Agreement) or ability of a Party to grant access to, or a license or sublicense of, such items or rights.

**1.8** "***Cover***" with respect to any subject matter (e.g. a Licensed Product), means that absent a license, the making, having made, using, importing, offering to sell or selling such subject matter would infringe a Valid Claim.

**1.9** "***Cut-off Date***" means the second ($2^{nd}$) anniversary of the Effective Date.

**1.10** "***Developed World***" means the United States of America, Canada, the countries of the European Economic Area (which, for clarity, shall be deemed to include the United Kingdom), Australia, New Zealand and Japan.

**1.11** "***Developing World***" means all countries that are not countries within the Developed World.

**1.12** "***Elanco Field***" means all applications for non-human animals, agricultural applications, seed treatment applications and urban pest applications related to structural, turf, lawns and gardens, including treatment of premises and ornamental pest markets but excluding, for clarity, any mosquito vector control for human disease or any human therapeutics.

**1.13** "***Enroll***" or "***Enrollment***" with respect to a clinical trial means a patient is dosed with the applicable investigatory drug.

**1.14** "***Existing Manufacturer***" means a third party that manufactures for which Tarsus pays (or has paid) Elanco $[***] pursuant to Section 3.1 of the Eye Care and Dermatology License Agreement.

**1.15** "***Eye Care and Dermatology License Agreement***" means that certain License Agreement entered into by and between Elanco and Tarsus on January 31, 2019, as amended from time to time.

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

**1.17** "***Field***" means all applications for humans other than the treatment, palliation, prevention, or cure of any disease or condition in eye care or dermatology in humans.

**1.18** "***First Commercial Sale***" for a country means the first commercial sale of a Licensed Product to a Third Party by Tarsus or any of its Affiliates or sublicensees of such Licensed Product after final approval by the applicable government authority to market such product for human use in in the Field in such country (e.g. NDA approval). "First Commercial Sale" excludes the sale of a Licensed Product for use in a clinical trial or for expanded access (or similar term) and any sale of any Licensed Product by Tarsus or any of its Affiliates or sublicensees to or among themselves.

**1.19** "***INAD***" means an Investigational New Animal Drug filed with the FDA or the equivalent application or filing filed with any equivalent agency or government authority outside of the United States (including any supra-national agency such as in the European Union) necessary to commence animal clinical trials in such jurisdiction, and including all regulations at 21 CFR § 511.1, and equivalent foreign regulations.

**1.20** "***IND***" means an Investigational New Drug Application filed with the FDA or the equivalent application or filing filed with any equivalent agency or government authority outside of the United States (including any supra-national agency such as in the European Union) necessary to commence human clinical trials in such jurisdiction, and including all regulations at 21 CFR § 312 et. esq., and equivalent foreign regulations.

**1.21** "***Initial Public Offering***" shall mean the closing of the issuance and sale of shares of Tarsus' capital stock in a public offering pursuant to an effective registration statement under the Securities Act.

**1.22** "***Know-How***" means all know-how relating to the Compound or any Licensed Product, including, without limitation, inventions (whether patentable or not), technology, discoveries, methods, techniques, and scientific information, medical information, all manufacturing, preclinical, and clinical data, materials, samples, protocols, specifications, processes, structures, trade secrets, analytical and quality control information and procedures, pharmacological, toxicological, and clinical test data and results, stability data, and studies and procedures.

**1.23** "***Licensed Know-How***" means all Know-How Controlled by Elanco as of the Effective Date.

**1.24** "***Licensed IP***" means the Licensed Patents and the Licensed Know-How.

**1.25** "***Licensed Patents***" means (a) the patents and patent applications set forth in Exhibit A hereto or otherwise Controlled by Elanco or any of its Affiliates as of the Effective Date and Covering any product that contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths, or any manufacture or use of the foregoing, (b) any patent or patent application Covering any product that contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths, or any manufacture or use of the foregoing where the patent or patent application Covers Know-How Controlled by Elanco or any of its Affiliates and arises after the Effective Date and prior to the Cut-off Date; (c) any patent application filed after the Effective Date on any of the Licensed Know-How; (d) any patent applications claiming priority to any of the foregoing, including continuations, divisionals, continuation-in-part and foreign patent applications, (e) all patents issuing from any of the foregoing patent applications described in (a) through (d); and (f) all reissues, reexaminations, renewals, re-validations, re-registrations, patents of addition, supplementary patent certificates and extensions of any of the foregoing. Notwithstanding the foregoing, the Licensed Patents do not include the Tarsus Patents.

**1.26** "***Licensed Product***" means any product that: (a) contains a Compound as an active pharmaceutical ingredient (alone or with other active ingredients) in any forms, presentations, formulations or dosage strengths; or (b) the manufacture, sale, use or importation of which, absent the license granted to Tarsus from Elanco under this Agreement, would infringe a Valid Claim of a Licensed Patent.

**1.27** "***Major European Country***" means any of Germany, France, Spain, Italy, and the United Kingdom.

**1.28** "***NADA***" means a New Animal Drug Application, or any successor applications or procedures, filed with the FDA for approval to market and sell a product in the United States.

**1.29** "***NDA***" means a New Drug Application, or any successor applications or procedures, filed with the FDA for approval to market and sell a product in the United States.

**1.30** "***Net Sales***" means, with respect to a Licensed Product, the gross amount invoiced by Tarsus (including a Tarsus Affiliate) or any sublicensee thereof to unrelated Third Parties, for such Licensed Product in the Field in the Territory during the Royalty Term in the country of sale, less the following items applied consistent with U.S. Generally Accepted Accounting Principles:

(a) Trade, quantity and cash discounts allowed;

(b) Discounts, refunds, rebates, chargebacks, retroactive price adjustments, and any other allowances which effectively reduce the net selling price;

(c) Licensed Product returns and allowances;

(d) That portion of the sales value associated with drug delivery systems, where applicable;

(e) Any tax imposed on the production, sale, delivery or use of the Licensed Product, including, without limitation, sales, use, excise or value added taxes;

(f) Wholesaler inventory management fees;

(g) Allowance for distribution expenses; and

(h) Any other similar and customary deductions which are in accordance with GAAP.

Such amounts shall be determined from the books and records of Tarsus, Affiliates of Tarsus or any sublicensee maintained in accordance with U. S. Generally Accepted Accounting Principles consistently applied. Tarsus further agrees in determining such amounts, it will use Tarsus's then current standard procedures and methodology, including Tarsus's then current standard exchange rate methodology, utilizing a reputable source such as the *Wall Street Journal* or *Reuters*, for the translation of foreign currency sales into U.S. Dollars. For purposes of determining Net Sales, (i) sales of a Licensed Product shall not include transfers, uses or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes, and (ii) sales between or among Tarsus, its Affiliates and sublicensees for re-sale shall be excluded from the computation of Net Sales, but subsequent sales by Tarsus, its Affiliates, and sublicensees to third parties shall be included in the computation of Net Sales.

**1.31** "***Person***" means any individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity.

**1.32** "***Phase 1 Clinical Trial***" means a clinical trial, the principal purpose of which is preliminary determination of safety of a Licensed Product in healthy individuals or patients and that otherwise satisfies the description in 21 C.F.R. §312.21(a) in the United States or, if applicable, its foreign equivalent.

**1.33** "***Phase 2 Clinical Trial***" means a clinical trial phase 2a, 2b or adaptive design for an indication in the Field that (a) occurs after a separate Phase 1 Clinical Trial for such indication, and (b) is predominantly designed to evaluate clinical efficacy for a pharmaceutical product (and is not a clinical trial that is predominantly a safety study (e.g., a phase 1b/2a clinical trial)), in a manner that is generally consistent with 21 C.F.R. § 312.21(b), as amended (or its successor regulation) and/or any analogous applicable law outside of the United States, as applicable.

**1.34** "***Phase 3 Clinical Trial***" means a pivotal clinical trial for an indication in the Field that (a) occurs after a separate Phase 2 Clinical Trial for such indication, and (b) has a defined dose or a set of defined doses of a pharmaceutical product designed to ascertain efficacy and safety of such product, in a manner that is generally consistent with 21 C.F.R. § 312.21(c), as amended (or its successor regulation) and/or any analogous applicable law outside of the United States, as applicable.

**1.35** "***Prescription Product***" for a Licensed Product in a country means such product cannot be sold to a consumer without a prescription from a licensed healthcare practitioner in such country.

**1.36** "***Regulatory Approval***" in a particular country means all approvals (including any applicable governmental price and reimbursement approvals), licenses, registrations, and authorizations of any federal, national, multinational, state, provincial or local Regulatory Authority, department, bureau and other governmental entity that are necessary for the marketing and sale of a Licensed Product in a country.

**1.37** "***Regulatory Authority***" means any applicable governmental authority responsible for granting Regulatory Approvals or pricing approvals for Licensed Products, including the FDA, the European Medicines Agency and any corresponding national or regional regulatory authorities.

**1.38** "***Regulatory Materials***" means any regulatory application, submission, notification, communication, correspondence, registrations, approvals and other filings made to or received from a Regulatory Authority relating to any Licensed Product, including, without limitation, INADs, INDs clinical trial applications, NADAs, NDAs and any other marketing authorizations.

**1.39** "***Regulatory Materials Receipt***" means the date on which Elanco provides Tarsus with the Regulatory Materials in existence as of the Effective Date that are reasonably necessary to research, develop, make, use or otherwise exploit Licensed Products in the Field in the Territory. Such materials include, without limitation, [***], FDA approval letter, and FDA correspondence related to 21Sep18 Safety Communication.

**1.40** "***Restated Certificate***" means Tarsus' Amended and Restated Certificate of Incorporation on file with the Secretary of State of the State of Delaware.

**1.41** "***Royalty Term***" means, with respect to any Licensed Product in a given country, the period of time commencing on the date of the First Commercial Sale of such Licensed Product in such country and ending on the latest of: (a) expiry of the last-to-expire of the Licensed Patents which has at least one (1) Valid Claim Covering such Licensed Product in such country; (b) the expiration of regulatory exclusivity for such Licensed Product in such country; and (c) ten (10) years after first commercial sale of such Licensed Product in such country.

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

**1.43** "***Securities Act***" means the United States Securities Act of 1933, as amended.

**1.44** "***Sensitive Transfer***" means a transfer to a new supplier requiring either a technology transfer, a method transfer or another form of transfer of Licensed Know-How.

**1.45** "***Sublicense Revenue***" means payments that Tarsus receives in consideration for a sublicense of rights under the Licensed IP in the Field.

**1.46** "***Tarsus IP***" means the Tarsus Patents and the Tarsus Know-How. Tarsus IP does not include the Licensed IP.

**1.47** "***Tarsus Know-How***" means Know-How Controlled by Tarsus as of the Effective Date, excluding Licensed Know-How.

**1.48** "***Tarsus Patents***" means (a) patents and patent applications Controlled by Tarsus as of the Effective Date and related to the Compound and Licensed Product; (b) any patent applications claiming priority to any of the foregoing, including continuations, divisionals, continuation-in-part (to the extent the claims thereof are entitled to such priority) and foreign patent applications, and (c) all patents issuing from any of the foregoing patent applications described in (a) through (b), including all reissues, reexaminations and extensions thereof. Notwithstanding the foregoing, the Tarsus Patents do not include the Licensed Patents.

**1.49** "***Territory***" means the entire world.

**1.50** "***Third Party***" means any Person other than a Party or an Affiliate of a Party.

**1.51** "***Valid Claim***" means any claim of any issued and unexpired Licensed Patent that has not been disclaimed, abandoned, revoked or held unpatentable, invalid or unenforceable by final decision of a court or other governmental body of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal. "Valid Claim" shall include any pending claim of any Licensed Patent that has been pending for less than seven (7) years but shall exclude pending claims that have been pending, without approval, for seven (7) years or more.

## 2. LICENSE GRANT; UPSTREAM AGREEMENTS.

**2.1 Elanco License**. Elanco hereby grants to Tarsus and its Affiliates an exclusive (even as to Elanco), perpetual, sublicensable (through multiple tiers), royalty-bearing license, under the Licensed IP, to research, develop, make, use, sell, offer for sale, import and otherwise exploit Licensed Products in the Field in the Territory. Each sublicensee shall agree to comply with the following terms and conditions of this Agreement: Section 2.3, allowing an audit pursuant to Section 6.6, Section 9.2(b) (with respect to the activities of sublicensee and its Affiliates), and Section 10 (with respect to the Confidential Information of Elanco). Tarsus remains fully responsible and liable under this Agreement irrespective of any sublicense.

**2.2 Tarsus License**. Tarsus hereby grants to Elanco a worldwide non-exclusive, perpetual, sublicensable (through multiple tiers), royalty-free license, under the Tarsus IP, to research, develop, make, use, sell, offer for sale, import and otherwise exploit Compounds and Licensed Products in the Elanco Field. Tarsus may sublicense any or all rights and/or obligations under this Agreement.

**2.3 Right of Reference; Samples**. Each Party has right to reference and receive access to all Regulatory Materials for the Compound (and any chemical alteration or improvement of the Compound (e.g. pursuant to Section 8.3)) that are Controlled by the other Party, its Affiliates, or its sublicensees, whether existing as of the Effective Date, generated from any activities of the Parties in connection with this Agreement, solely for the purposes set forth in this Agreement, or otherwise existing after the Effective Date. Elanco will provide Tarsus with reasonable samples of (a) Elanco's chemical alterations

or improvements of the Compound, (b) the Compound's related substances, and/or (c) reference standards for the Compound, in each case, after Tarsus's request(s) from time to time. Tarsus shall pay Elanco for such samples at an amount equal to [***] paid by Elanco for such samples plus [***]% thereof.

## 3. REGULATORY TRANSFER; KNOW-HOW TRANSFER.

**3.1** The Parties acknowledge their respective obligations regarding Know-How transfer as set forth in Section 3.1 of that certain Amended and Restated Licensed Agreement effective between the Parties as of even date herewith (the "***Eye Care and Dermatology License Agreement***"). In the event that the Eye Care and Dermatology License Agreement is terminated before the obligations of Eye Care and Dermatology License Agreement Section 3.1 are complete, within the later of [***] days following the date Tarsus provided Elanco the Initial Equity Grant or [***] days following termination of the Eye Care and Dermatology License Agreement, Elanco shall provide all information regarding the Licensed Know-How that is Controlled by Elanco as of the Effective Date and is reasonably necessary to research, develop, make, use, or otherwise exploit Licensed Products in the Field in the Territory. Additionally, if Tarsus engages a third party other than Siegfried to manufacture the Licensed Product and such manufacture requires material manufacturing Know-How not previously provided to Tarsus then Elanco shall provide (or cause Siegfried to provide) such Know-How and Tarsus shall pay Elanco [***]. Total hours of Elanco support will be capped at [***] hours (the "***Hours Cap***"), and total costs paid by Tarsus will be capped at [***] dollars (the "***Dollars Cap***"); for the avoidance of doubt, the Parties' respective obligations in this Section 3.1 will be calculated cumulatively under this Agreement and the Eye Care and Dermatology License Agreement. If either the Hours Cap or the Dollars Cap is reached and Tarsus requests additional assistance, the Parties will meet to mutually decide on further support. Payment by Tarsus will be made to Elanco within thirty (30) days after the earlier to occur of (a) the Dollars Cap is reached, and (b) the Parties mutually agree that Tarsus has received all of such Know-How. For purposes of clarity, all costs charged by Siegfried in conjunction with the transfer of Know-How will be borne by Tarsus. Provided in any case that Elanco shall only be obliged to provide information to a third party that has been selected in compliance with Section 8.4.

**3.2** Promptly after the Effective Date, Elanco shall provide Tarsus with all Regulatory Materials that are reasonably necessary to research, develop, make, use or otherwise exploit Licensed Products in the Field in the Territory, but, in any case, Elanco shall not be required to provide any particular Regulatory Material to Tarsus more than once. Elanco shall continually provide Tarsus with any relevant updates to the Regulatory Materials promptly after their creation or receipt (as the case may be).

## 4. DEVELOPMENT AND COMMERCIALIZATION.

**4.1 General; Diligence**. Following the Effective Date, as between the Parties, Tarsus, at its expense, shall be responsible for conducting (or causing its Affiliates or sublicensees to conduct) the development and commercialization of the Licensed Products in the Field in the Territory. Tarsus shall use Commercially Reasonable Efforts to develop the Licensed Products and seek and obtain Regulatory Approval for Licensed Products in the Field in the Territory. A summary of the currently intended development activities is attached as Exhibit B. Elanco's sole and exclusive remedy for Tarsus's breach of the foregoing sentence is termination of this Agreement pursuant Section 11.2.

**4.2 Regulatory**. As between the Parties, Tarsus (or its Affiliates or sublicensees) shall be solely responsible, for all regulatory matters relating to the development and commercialization of the Licensed Products in the Field in the Territory and shall coordinate and control the related regulatory strategy and interactions with Regulatory Authorities for the Licensed Products at its own cost. Each Party shall keep the other Party informed about the regulatory process and status for Licensed Products and shall immediately or no later than five (5) business days inform the other Party of any human exposure serious adverse event (as defined in 21 CFR 312.32 and CFR 514.3) or such other matters

agreed to in any pharmacovigilance or that would otherwise reasonably be expected to materially adversely affect the other Party's regulatory process for the Licensed Products.

**4.3 Progress Reports**. Within [***] days after January 1 of each year prior to First Commercial Sale, Tarsus shall submit to Elanco a progress report covering in reasonable detail the activities of Tarsus including a listing of serious adverse events, its Affiliates and sublicensees, as applicable, related to the development, regulatory status and commercialization of the Licensed Products in the Territory. All reports provided by Tarsus to Elanco under this Section 4.3 shall be considered Tarsus's Confidential Information.

**4.4 Reversion of Rights**.

**(a)** If neither Tarsus nor any of its Affiliates or sublicensees achieve any of the milestones set forth in Exhibit C (each a "***Diligence Milestone***") by the corresponding achievement deadline date set forth in Exhibit C except for reasons outside of Tarsus' reasonable control, Elanco shall (as its sole and exclusive remedy for such failure) have the right to terminate the Agreement if such Diligence Milestone remains unmet one hundred twenty (120) days after Elanco provides Tarsus notice of such failure.

**(b)** Tarsus may, at its option, increase all of the milestone dates set forth in Exhibit C one time by [***] months by making a one-time payment of $[***].

**(c)** In the case of termination pursuant to Section 4.4(a), Elanco shall be granted nonexclusive, sublicensable rights to the Tarsus Know-How and Tarsus Licensed Patents to develop, manufacture, and commercialize the Compound and Licensed Products in the Field and be provided with Tarsus Know-How (including such regulatory documentation corresponding to the Licensed Product) but not any other assets of Tarsus. Such rights shall be fully paid and royalty free.

**4.5** Development Cooperation. The Parties acknowledge and agree that, in order to develop Licensed Products in the Field, Tarsus will need to conduct non-human animal studies. Tarsus agrees to coordinate and cooperate with Elanco, via the JSC (as defined in Section 5 below), to develop and perform such studies in a manner that minimizes the commercial risk to Elanco's commercial products for the Elanco Field that include the Compound. Tarsus should explore all possible alternatives to performing non-human animal studies in dogs, for example by choosing another animal species. In the event that dog studies are absolutely needed, Tarsus will inform and consult with Elanco, before conducting the studies and regularly provide an overview of all current and future clinical studies relating to the Compound to the Joint Steering Committee.

**5. JOINT STEERING COMMITTEE**.

**(a)** The parties shall establish a joint steering committee (the "***Joint Steering Committee***" or "***JSC***") consisting of two (2) representatives from each party, which shall serve as a way for Tarsus to inform (and seek advice from) Elanco in the development and Regulatory Approval efforts for the Licensed Product in the Territory and other efforts under this License Agreement. Each party will provide the other Party Notice with the name, title, email address, telephone number of their respective Joint Steering Committee Members. The JSC shall meet as needed but not less than on a quarterly basis (or such other frequency as determined by the JSC). The JSC shall be of advisory nature only and shall ensure that Elanco is being kept informed on Tarsus development progress. Tarsus is responsible for and takes final decisions on development and commercialization.

**(b)** The Joint Steering Committee meetings will be at times agreed by the Parties and will be in such form (e.g. in person, telephone, or video conference) as the members of the Joint Steering Committee agree.

**(c)** A party may change one or more of its representatives to the Steering Committee at any time. Members of the Joint Steering committee may be represented at any meeting by another member of the Steering committee or by a proxy. Either Party may permit additional employees and consultants to attend and participate in the Joint Steering Committee, subject to the confidentiality provisions of the agreement. Each Party is responsible for travel costs for their representatives associated with attending in person JSC meetings.

**(d)** The Joint Steering Committee will be responsible for keeping accurate minutes of its deliberations that record decisions and all actions recommended or taken. Within thirty (30) business days of each JSC meeting, the Parties will be provided with draft minutes of such meeting. Minutes will be deemed approved unless a Joint Steering Committee representative of either Party objects to the accuracy of such minutes. In the event that any such objection is not resolved by the Joint Steering Committee such minutes will be amended to reflect the unresolved objection. All records of the Joint Steering Committee will be considered confidential information and available to both Parties.

## 6. PAYMENTS TO ELANCO.

### 6.1 Equity Grants.

**(a)** Initial Equity Grant. Tarsus will grant to Elanco 1,652,346 shares of Tarsus' Common Stock (the "***Common Stock***") within thirty (30) days of the Effective Date (the "***Initial Equity Grant***").

**(b)** Tarsus Representations and Warranties. In connection with the Initial Equity Grant, Tarsus hereby represents and warrants to Elanco that as of the date hereof, pursuant to the terms of the Restated Certificate, (i) all outstanding shares of the Tarsus' Series A Preferred Stock (the "***Series A Preferred Stock***") and Series B Preferred Stock (the "***Series B Preferred Stock***" and collectively with the Series A Preferred Stock the "***Preferred Stock***") currently are convertible into one (1) share of Common Stock, (ii) all shares of Common Stock and Preferred Stock currently have one (1) vote for all matters presented to the stockholders for approval, (iii) the issuance, sale and delivery of the Initial Equity Grant and the Subsequent Equity Grant have been duly authorized by all requisite action of Tarsus, and, when issued, sold and delivered in accordance with this Agreement, the Common Stock will be validly issued and outstanding, fully paid and nonassessable, (iv) no authorization, consent, approval or other order of, or declaration to or filing with, any governmental agency or body (other than filings required to be made under applicable federal and state securities laws) or any other person, entity or association is required for the valid authorization, execution, delivery and performance by Tarsus of this Agreement and the valid authorization, issuance, sale and delivery of the Common Stock and (v) subject in part to the truth and accuracy of Elanco's representations set forth in Section 6.1(c) below, the offer, sale and issuance of the Common Stock as contemplated by this Agreement are exempt from the registration requirements of any applicable state and federal securities laws.

**(c)** Elanco Representations and Warranties. In connection with the Initial Equity Grant Elanco hereby represents and warrants to Tarsus that, as of the date hereof, Elanco is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D of the Securities Act, as presently in effect.

**(d)** Subsequent Equity Grant. Upon the eighteen (18) month anniversary of the Effective Date (the "***Subsequent Grant Date***"), if this Agreement has not been terminated prior to such date and Tarsus has not provided notice of termination pursuant to Section 11.2(e), then Tarsus will grant to Elanco, (i) in the event that Tarsus has not yet completed an Initial Public Offering, a number of shares of Tarsus' Common Stock equal to $3,000,000 divided by the price per share of Tarsus' Preferred Stock purchased for cash in its most recent bona fide equity financing prior to the Subsequent Grant Date or (ii) in the event that Tarsus has completed an Initial Public Offering, a number of shares of Tarsus' Common Stock equal to $3,000,000 divided by the price of one (1) share of Tarsus' Common Stock sold in such Initial Public Offering (the "***Subsequent Equity Grant***" and, collectively with the Initial Equity Grant, the "***Equity Grants***"); *provided*, *however*, that if Tarsus is acquired in a Change of Control

following such Initial Public Offering but before the Subsequent Grant Date, and Tarsus has not provided notice of termination pursuant to Section 11.2(e), then immediately prior to such Change of Control Elanco shall receive a number of shares of Tarsus' Common Stock equal to $3,000,000 divided by the price of one (1) share of Tarsus' Common Stock sold in such Initial Public Offering; and *provided*, *further*, *however*, that if Tarsus is acquired in a Change of Control prior to the Subsequent Grant Date and Tarsus has neither completed an Initial Public Offering nor provided notice of termination pursuant to Section 11.2(e) then immediately prior to such Change of Control Elanco shall receive a number of shares of Tarsus' Common Stock equal to $3,000,000 divided by the price per share of Tarsus' Preferred Stock purchased for cash in its most recent bona fide equity financing prior to such Change of Control. Termination of this Agreement pursuant to Section 11.2(a) shall be Elanco's sole and exclusive remedy and Tarsus's sole and exclusive liability for a breach of this Section 6.1(d).

**(e)** "Market Stand-Off" Agreement. Elanco hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the public filing of the registration statement relating to the Initial Public Offering (the "***Stand-Off Effective Date***") and ending on the date specified by Tarsus and the managing underwriter (such period not to exceed [***] days from the date that such registration statement is declared effective by the SEC) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Tarsus' capital stock or any securities convertible into or exercisable or exchangeable for Tarsus' capital stock ("***Registrable Securities***") held immediately prior to the Stand-Off Effective Date, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Tarsus' capital stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of securities, in cash or otherwise. The underwriters in connection with Tarsus' Initial Public Offering are intended third party beneficiaries of this Section 6.1(e) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Elanco further agrees to execute such agreements as may be reasonably requested by the underwriters in the Initial Public Offering that are consistent with this Section 6.1(e) or that are necessary to give further effect thereto, including, without limitation, the lock-up agreement in the form attached hereto as Exhibit D (the "***Lock-up Agreement***"). In order to enforce the foregoing covenant, Tarsus may impose stop-transfer instructions with respect to the Registrable Securities of Elanco (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period. Elanco further agrees that a legend reading substantially as follows shall be placed on all certificates representing all shares of Tarsus' capital stock (whether issued pursuant to the Equity Grants or otherwise) held by Elanco (and the shares or securities of every other person subject to the restriction contained in this Section 6.1(e)):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD AFTER THE EFFECTIVE DATE OF THE ISSUER'S REGISTRATION STATEMENT FILED UNDER THE ACT, AS AMENDED, AS SET FORTH IN AN AGREEMENT BETWEEN TARSUS AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

**6.2 Milestones**.

**(a)** First Indication Development Milestones. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below by Tarsus or any of its Affiliates or sublicensees after the Effective Date:

**(i)** [***] dollars upon the [***] of [***];

**(ii)** [***] dollars upon the [***] of [***];

**(iii)** [***] dollars upon the [***] of [***];

**(iv)** [***] dollars upon the [***] of [***];

**(v)** [***] dollars upon the [***] of [***]; and

**(vi)** [***] dollars upon the [***] of [***].

Each of the foregoing milestone payments set forth in this Section 6.2(a) shall be paid no more than once, irrespective of how many Licensed Products achieve each milestone or how many times a Licensed Product achieves such milestone. Accordingly, in no event shall Tarsus pay Elanco more than ten million dollars ($10,000,000) in the aggregate pursuant to this Section 6.2(a). Each milestone payment due pursuant to this Section 6.2(a) shall be paid within [***] days after the achievement of the applicable milestone.

**(b)** Development Milestones for Other Indications. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below by Tarsus or any of its Affiliates or sublicensees after the Effective Date:

**(i)** [***] dollars upon the [***] of [***];

**(ii)** [***] dollars upon the [***] of [***];

**(iii)** [***] dollars upon the [***] of [***];

**(iv)** [***] dollars upon the [***] of [***];

**(v)** [***] dollars upon the [***] of [***]; and

**(vi)** [***] dollars upon the [***] of [***].

Each of the foregoing milestone payments set forth in this Section 6.2(b) shall be paid no more than once, irrespective of how many Licensed Products achieve each milestone or how many times a Licensed Product achieves such milestone. Accordingly, in no event shall Tarsus pay Elanco more than six million five hundred thousand dollars ($6,500,000) in the aggregate pursuant to this Section 6.2(b). Each milestone payment due pursuant to this Section 6.2(b) shall be paid within [***] days after the achievement of the applicable milestone.

**(c)** Sales Milestones for Sales in the Developed World. Tarsus shall pay to Elanco the following one-time milestone payments upon the first achievement of the applicable milestone event set forth below:

**(i)** [***] dollars after the first calendar year in which Net Sales [***] for such calendar year exceed [***] dollars;

**(ii)** [***] dollars after the first calendar year in which Net Sales [***] for such calendar year exceed [***] dollars; and

**(iii)** [***] dollars after the first calendar year in which Net Sales [***] for such calendar year exceed [***] dollars.

Each of the foregoing milestone payments set forth in this Section 6.2(c) shall be paid no more than once, irrespective of how many times each milestone is achieved. Accordingly, in no event shall Tarsus pay Elanco more than sixty five million dollars ($65,000,000) in the aggregate pursuant to

this Section 6.2(c). Each milestone payments due pursuant to this Section 6.2(c) shall be paid within [***] days after the close of the calendar quarter in which such milestone is achieved.

**(d)** Upon Tarsus's First Commercial Sale of a Licensed Product in the Developing World, Elanco and Tarsus shall negotiate reasonably and in good faith to determine sales milestones for sales of the Licensed Product in the Developing World. In any event, such milestones payments shall not exceed (individually or in the aggregate) the milestone payments under Section 6.2(c) and the Net Sales thresholds for each milestone payment shall not be less than the Net Sales Thresholds under 6.2(c).

**6.3 Sublicense Revenue**.

**(a)** Sublicense Revenue. Tarsus shall pay Elanco a percentage of all Sublicense Revenue. The percentage of such Sublicense Revenue that shall be paid to Elanco shall be as follows (with the appropriate tier being determined for Sublicense Revenue at the time such Sublicense Revenue becomes due to Tarsus, and with such percentage of Sublicense Revenue becoming due to Elanco at the time such Sublicense Revenue is received by Tarsus):

**(i)** Until first dosing of a Licensed Product in a [***]: [***]%;

**(ii)** After first dosing of a Licensed Product in a [***] until first dosing of a [***]: [***]%;

**(iii)** After first dosing of a Licensed Product in a [***] until first [***] of a Licensed Product: [***]%; or

**(iv)** After first [***] of a Licensed Product and thereafter: [***]%.

**(b)** Sublicense Revenue Exclusions. Notwithstanding the foregoing, none of the following shall be deemed Sublicense Revenue: [***]. Any assignment of this Agreement, change of control or sale of a program involving rights under the Agreement shall not in any way be deemed the grant of a sublicense. Tarsus shall not act in bad faith to intentionally structure Sublicense Revenue or a sublicense as such in a manner that is intended to prevent payments of Sublicense Revenue to Elanco becoming due.

**(c)** Neither Tarsus nor any of its Affiliates shall act in bad faith to delay invoicing, payments, or the achievement milestones under this Agreement, or any sublicensing agreement permitted hereunder, for the purpose of reducing (or eliminating) Sublicense Revenue which would otherwise be shared with Elanco under this Agreement. In such case, if, absent such bad faith, such invoice, payment, or milestone could have been sent or achieved before [***], then such invoice, payment, or milestone shall be deemed sent or achieved prior to [***] for all purposes of Section 6.3(a).

**6.4 Royalties**.

**(a)** Royalty Rate. Subject to the other terms of this Section 6.4, for each calendar year during the Royalty Term Tarsus shall pay:

**(i)** a [***] percent royalty on the first [***] dollars of Net Sales of a Licensed Product in [***] in such calendar year;

**(ii)** a [***] percent royalty on the next [***] dollars of Net Sales of a Licensed Product [***] in such calendar year (i.e. the portion of such Net Sales between US$[***] and $[***] in such calendar year);

**(iii)** a [***] percent royalty on the next [***] dollars of Net Sales of a Licensed Product [***] in such calendar year (i.e. the portion of such Net Sales between US$[***] and $[***] in such calendar year); and

**(iv)** a [***] percent royalty on all Net Sales of a Licensed Product [***] in such calendar year in excess of [***] dollars (i.e. the portion of such Net Sales over $[***] in such calendar year).

**(b)** Upon Tarsus's First Commercial Sale of a Licensed Product in the Developing World, Elanco and Tarsus shall negotiate reasonably and in good faith to determine royalty rates for Net Sales of the Licensed Product in the Developing World. In any event, such royalty rates shall not exceed the royalty rates under Section 6.4(a) and the Net Sales thresholds for each royalty rate shall not be less than the Net Sales Thresholds under 6.4(a).

**(c)** No Multiple Royalties. No multiple royalties shall be payable hereunder because the use, manufacture or sale of any Licensed Product is Covered by more than one Valid Claim.

**(d)** Timing of Payments; Reports. Commencing with the calendar quarter during which the First Commercial Sale of the first Licensed Product is made anywhere in the Territory, and for each calendar quarter thereafter during the Royalty Term during which royalties are due hereunder, Tarsus shall provide Elanco with a report that contains the following information for the applicable calendar quarter, on a Licensed Product-by-Licensed Product and country-by-country basis: (i) the amount of gross sales of the Licensed Products, (ii) an itemized calculation of Net Sales showing deductions provided for in the definition of "Net Sales", (iii) a calculation of the royalty payment due on such sales, and (iv) the exchange rate for such country. Tarsus shall provide such report and make corresponding payment to Elanco within forty five (45) days after the end of each calendar quarter.

**(e)** Exchange Rate. When conversion of payments from any foreign currency is required, such conversion shall be calculated using an exchange rate equal to the rate of exchange published in the Wall Street Journal on the last business day of the applicable calendar quarter for which payment is due.

**(f)** No deductions for third party licenses. No deductions from any payments under this agreement shall be made because Tarsus is required to make payments, royalty payments or otherwise, to third parties to obtain rights or licenses to intellectual property rights in respect of a Licensed Product.

**(g)** Royalty Reduction. If at any time during the Royalty Term for a given Licensed Product in a given country, there is no Valid Claim Covering such Licensed Product in such country, then the royalty rate payable by Tarsus pursuant to Section 6.4(a) (or established pursuant to Section 6.4(b)) shall be reduced to [***]percent of the rates set forth in Section 6.4(a) (or Section 6.4(b), as the case may be).

**6.5 Mode of Payment**. Tarsus shall pay all payments to Elanco under this Agreement by wire transfer of immediately available funds to a USD functional bank account designated in writing by Elanco, in U.S. Dollars or such other currency as the Parties may mutually agree in writing.

**6.6 Quarterly information**.

**(a)** Tarsus Common Stock activity. Until the completion of the Tarsus Initial Public Offering, for each of the three-month periods ending March 31, June 30, September 30, and December 31, Tarsus shall provide to Elanco (i) the capitalization table as of period-end, no later than fifteen (15) days following period-end. At a minimum, the capitalization table shall include all equity types (e.g., Common Stock, Preferred Stock, etc.). In addition, Tarsus shall provide to Elanco (i) Tarsus' most recently available 409A valuation, and (ii) information about all sales and purchases of Tarsus'

Preferred Stock and Common Stock during the respective three-month period. Such information shall be sufficient for Elanco to calculate its ownership percentage and shall be provided by Tarsus electronically no later than forty-five (45) days following period-end.

**(b)** Unaudited financial statements. Until the completion of the Tarsus Initial Public Offering, for each of the three-month periods ending March 31, June 30, and September 30, Tarsus shall provide to Elanco unaudited financial statements as of and for the three-month period then ended. The unaudited financial statements shall be provided by Tarsus electronically no later than forty-five (45) days following period-end. At a minimum, the unaudited financial statements shall include a balance sheet, income statement, and statement of cash flows.

**6.7 Annual financial statements**. Until the completion of the Tarsus Initial Public Offering, on an annual basis, Tarsus shall provide to Elanco audited financial statements as of and for the year then ended. The audited financial statements shall be provided by Tarsus electronically no later than forty-five (45) business days following period-end. At a minimum, the audited financial statements shall include a balance sheet, income statement, and statement of cash flows.

**6.8 Audit**. Tarsus shall keep or cause to be kept books of account containing all information that may be necessary for the purpose of calculating amounts payable by Tarsus in connection with this Agreement for a period of three (3) calendar years following the end of the calendar year during which such amounts were payable. Elanco may appoint an independent public accountant (on a non-contingency basis and reasonably acceptable to Tarsus; any "Big 4" accountant shall be deemed acceptable to Tarsus), at Elanco's expense and subject to such accountant entering into a confidentiality agreement with Tarsus, to inspect such books of account in order to verify the calculation of any amounts payable to Elanco hereunder. Such inspections shall be performed not more frequently than once in any twelve (12) month period and upon reasonable prior written notice, and shall be conducted during regular business hours in such a manner as to not unreasonably interfere with Tarsus's normal business activities. Elanco's accountant may only share with Elanco the report containing the summary results of its inspection, but not the books of account reviewed by the accountant during the audit, and such report shall constitute Tarsus's Confidential Information. If any such inspection reveals that any payment which should have been paid by Tarsus is greater than those which were actually paid by it and such underpayment is not disputed by Tarsus, then Tarsus shall promptly pay the underpaid amount to Elanco. If the undisputed payments which should have been paid by Tarsus are at least [***] percent greater than those which were actually paid by Tarsus, then Tarsus shall also reimburse Elanco for the reasonable out-of-pocket costs of such inspection.

**6.9 Taxes**. Each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising directly or indirectly from its activities or receipt of payments under this Agreement. To the extent Tarsus is required to deduct and withhold taxes on any payment to Elanco hereunder, it shall deduct such amounts from payments to Elanco and pay the amounts of such taxes to the proper governmental authority in a timely manner and promptly transmit to Elanco an official tax certificate or other evidence of such withholding sufficient to enable Elanco to claim such payment of taxes. Elanco shall provide Tarsus any tax forms that may be reasonably necessary in order for Tarsus not to withhold tax or to withhold tax at a reduced rate under an Applicable Law or bilateral income tax treaty.

**6.10 Sales Forecast**. Within [***] days after January 1 of each calendar year, Tarsus shall provide Elanco with Tarsus's projected Net Sales over the next [***] calendar years. For clarity, such projections would be for informational purposes only and the foregoing is not binding on Tarsus in any way.

## 7. INTELLECTUAL PROPERTY.

### 7.1 Prosecution and Maintenance of Licensed Patents.

**(a)** Elanco shall be solely responsible for prosecution and maintenance of the Licensed Patents including, but not limited to, the filing of patent applications included therein. Elanco shall keep Tarsus reasonably informed with respect to the status and progress of any such applications, prosecutions and maintenance activities. Elanco shall consider in good faith the comments of Tarsus with respect to any such applications and prosecutions and maintenance activities.

**(b)** Elanco may, in its sole discretion, elect to abandon any issued patent or pending patent application included in the Licensed Patents, or not file any patent application with respect thereto in any country. Prior to any such abandonment or decision not to file in any country, Elanco shall give Tarsus at least [***] days' notice and a reasonable opportunity to take over such maintenance, prosecution or filing. In such event, Tarsus shall have the right, but not the obligation, to commence or continue such maintenance, prosecution or filing under its own control and at its sole expense. Tarsus shall have no further payment obligations (including with respect to royalties and milestone payments) or other obligations to Elanco with respect to any such patents or patent applications or patents issuing from such applications.

**7.2 Enforcement of Licensed IP**.

**(a)** During the Royalty Term, each Party shall promptly provide written notice to the other Party of any actual or alleged infringement or misappropriation in the Field by any Third Party of any intellectual property rights included in the Licensed IP of which it becomes aware. Elanco shall have the first right, but not the obligation, to enforce the Licensed IP against any such infringement or misappropriation claim in the Field at its own expense and utilizing counsel of its choice. Elanco shall neither settle nor voluntarily dispose of any action to enforce the Licensed IP in the Field without Tarsus's written consent. If Elanco desires to voluntarily dispose of any action to enforce the Licensed IP in the Field then Elanco shall notify Tarsus and offer Tarsus the opportunity to assume control of such enforcement action ("***Voluntary Disposal Notice***"). If Tarsus notifies Elanco of its election to assume control of such enforcement action then Elanco shall take all reasonable actions necessary to allow Tarsus to properly do so. Elanco may voluntarily dispose of such enforcement action if: (i) Tarsus notifies Elanco that it does not desire to assume control of such enforcement action; or (ii) Tarsus does not notify Elanco of any election within [***] days after Elanco provides Voluntary Disposal Notice.

**(b)** With respect to any potential enforcement under subsection (a) above, if Elanco does not notify Tarsus of its intention to enforce against such alleged infringement or misappropriation within [***] days of the date Elanco becomes aware of such alleged infringement or misappropriation, or does not commence prosecution of such claim within [***] days after the date Elanco becomes aware of such alleged infringement or misappropriation, then, Tarsus shall have the right, but not the obligation, to prosecute such claim at its own expense and utilizing counsel of its choice.

**(c)** The enforcing Party shall regularly update the other Party in writing with respect to the status of any such enforcement actions. Any recovery of damages by shall be applied (i) first, in satisfaction of any unreimbursed expenses and legal fees of the enforcing Party, (ii) second, in satisfaction of any unreimbursed expenses and legal fees of the other Party, and (iii) third, if additional recoveries remain after all of the unreimbursed expenses and legal fees are fully paid as set forth in (i) and (ii), the balance remaining with respect to any such recovery shall be retained by (or paid by Elanco to, as the case may be) Tarsus and such amount shall be treated as Net Sales and subject to the payment of royalties pursuant to Section 6.3.

**(d)** At the request of the Party bringing the action, the other Party shall provide reasonable assistance in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party plaintiff to the action if required to obtain necessary standing.

**7.3 Improvements.** Elanco shall own any invention conceived by or for Elanco from the use of the Compound or otherwise derived by or for Elanco from the Compound ("***Elanco Improvements***").

Tarsus shall own any invention conceived by or for Tarsus from the use of the Compound or otherwise derived by or for Tarsus from the Compound ("***Tarsus Improvements***"). Tarsus hereby grants Elanco an exclusive royalty-free, perpetual license to the Research Inventions and Tarsus Improvements for applications in the Elanco Field.

**8. MANUFACTURE AND SUPPLY.**

**8.1 Initial Supply Terms**. Each calendar quarter, Tarsus shall supply Elanco with a written, non-binding forecast showing good faith estimations of its (and its Affiliates' and sublicensees') quarterly requirements for the Compound for the following four (4) calendar quarters (the "***Forecast***"). Elanco shall manufacture (or have manufactured) and supply to Tarsus quantities of the Compound as and when reasonably requested by Tarsus to the extent within the Forecast. Tarsus's price for all Compounds purchased pursuant to this Section 8.1 shall be the price at which Elanco purchases such Compound plus [***] percent thereof.

**8.2 Manufacturing and Supply Agreement**. The Parties agree to enter into a good-faith more detailed manufacturing and supply agreement within a reasonable timeframe. The supply agreement should provide for a stated supply price (which price shall represent a small markup over Elanco's costs).

**8.3 Change of chemistry**.

**(a)** Tarsus acknowledges and agrees that Elanco shall be free to use alternate chemistry and improve the Compound in its sole discretion without Tarsus consent.

**(b)** Elanco shall provide Tarsus with [***] prior notice (the "***Compound Change Period***") if Elanco will cease to provide any Compound previously provided to Tarsus pursuant to a chemical change and will supply Tarsus with any quantities of such Compound requested by Tarsus during the Compound Change Period (even if such quantities exceed the amount projected in the Forecast). Elanco shall notify the JSC as soon as it contemplates possibly ceasing to provide a Compound as previously provided to Tarsus because of use of alternative chemistry or other changes to the Compound. The JSC shall discuss such contemplated changes if Tarsus informs Elanco that it reasonably believes such change could have a regulatory impact; provided, however, that Elanco shall have the right to make the final decision regarding such change after discussion by the JSC.

**8.4 Have Made Rights**. For clarity, Section 2.1 grants Tarsus the right to have a third party make the Compound for Tarsus. Elanco must approve such third party supplier unless: (a) the transfer to the supplier does not qualify as a Sensitive Transfer; or (b) such supplier is credible and reputable. Such approval shall not be unreasonably withheld, conditioned, or delayed. For all purposes of the foregoing, the following entities and their Affiliates shall be deemed credible and reputable (and shall not require Elanco consent): [***] (or any Affiliate of the foregoing), [***].

**9. INDEMNIFICATION; INSURANCE.**

**9.1 Indemnification by Elanco**. Elanco shall indemnify, defend and hold harmless Tarsus, its Affiliates, and its and their respective officers, directors, employees, agents, successors and assigns against all third party losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses (collectively, "***Losses***"), resulting from (a) any action instituted against any of them by any Third Party arising out of from Elanco's breach of any representation, warranty or obligations pursuant to this Agreement, or (b) the gross negligence or willful misconduct of Elanco, except, in each case, to the extent such Losses are Losses for which Tarsus is obligated to indemnify Elanco pursuant to Section 9.2 or to the extent such Losses arise from the breach by Tarsus or its Affiliates of its representations, warranties or obligations under this Agreement or from the failure of any sublicensees to comply with any obligations required of sublicensees under this Agreement.

**9.2 Indemnification by Tarsus**. Tarsus shall indemnify, defend and hold harmless Elanco, its Affiliates, and its and their respective officers, directors, employees, agents, successors and assigns against all Losses resulting from (a) Tarsus's breach of any representation, warranty or obligations pursuant to this Agreement, ,(b) the gross negligence or willful misconduct of Tarsus; or (c) the development, making, having made, using, having used, leasing, importing, offering to sell, selling and/or having sold, any Compound or Licensed Product by Tarsus, its Affiliates and sublicensees or the failure of any of them to comply with Applicable Law in connection with any such activities, except, in each case, to the extent Elanco is required to indemnify Tarsus under Section 9.1 for such Losses or to the extent such Losses arise from the breach by Elanco or its Affiliates of its representations, warranties or obligations under this Agreement.

**9.3 Indemnification Procedure**. The indemnified party shall promptly notify the indemnifying party in writing of any action for which it intends to seek indemnification hereunder and cooperate reasonably with the indemnifying party at the indemnifying party's sole cost and expense. The indemnifying party shall have the right, within thirty (30) days after being so notified, to assume the defense of any action with counsel of its choice that is reasonably satisfactory to the indemnified party. The indemnifying party shall not settle any action in a manner that adversely affects the rights of any indemnified party without the indemnified party's prior written consent, which consent shall not be unreasonably withheld or delayed. The indemnified party's failure to provide prompt notice to the indemnifying party of any action shall not relieve the indemnifying party of its obligations under this Section 9.3 except to the extent that the indemnifying party can demonstrate that it has been materially prejudiced as a result of the failure. Subject to the indemnifying party's right to control the defense and settlement thereof, the indemnified party may participate in and observe the proceedings at its own cost and expense with counsel of its own choosing. A Party shall not be responsible for the indemnification or defense of the other Party to the extent arising from any negligent or intentional acts by such Party, or the breach by such Party of any representations, obligations or warranty under this Agreement, or any claims compromised or settled without prior written consent.

**9.4 Limitation of Liability.** Except with respect to a breach of Section 10, or a Party's liability pursuant to Section 9 or Section 7.2, neither Party shall be liable for special, incidental, consequential, exemplary, punitive, or other indirect or remote damages, or loss of profits, loss of data or loss of use damages arising in any way out of this Agreement or the exercise of its rights hereunder, whether based upon warranty, contract, tort, strict liability or otherwise.

**10. CONFIDENTIALITY.**

**10.1 Non-Disclosure and Non-Use**. Each Receiving Party shall:

**(a)** not disclose any Confidential Information of the Disclosing Party to any Person other than (i) Persons who have a "need to know" such information for purposes of the Receiving Party's performance or exercise of rights under this Agreement, and (ii) any Affiliates or sublicensees (or potential sublicensees) of the Receiving Party or other Persons working on the Receiving Party's behalf (including without limitation consultants, contract manufacturers, and independent contractors), provided that any such Person agrees to be bound by terms and conditions no less stringent than those set forth in this Section 10; and

**(b)** not use any Confidential Information of the Disclosing Party for any purpose other than in connection with performing its obligations or exercising its rights under this Agreement.

**10.2 Disclosure Required by Applicable Law**. Section 10.1 shall not apply to Confidential Information which the Receiving Party is required by Applicable Law (including, without limitation, any reporting requirements arising under the federal securities laws or the regulations promulgated by any national securities exchange on which securities of the Receiving Party are traded), court order, or similar requirements to disclose, provided that the Receiving Party:

**(a)** provides the Disclosing Party with prompt written notice thereof such that the Disclosing Party may seek a protective order or other appropriate remedy with respect to such Confidential Information, including, without limitation, confidential treatment to the extent available under any Applicable Law, and the Receiving Party shall provide the Disclosing Party with reasonable cooperation in order to obtain such a protective order or other remedy, including confidential treatment, and

**(b)** discloses only that portion of the Confidential Information that is legally compelled to disclose.

**10.3 Permitted Disclosures**. Section 10.1 shall not prevent either Party from (a) preparing, filing, prosecuting, defending or maintaining Licensed Patents, (b) disclosing Confidential Information to Regulatory Authorities to the extent the Receiving Party reasonably believes it is required or desirable in connection with clinical testing of any Licensed Product or to secure Regulatory Approval for the development or marketing of any Licensed Product, (c) disclosing Confidential Information to the extent required by the Securities and Exchange Commission or applicable tax authorities, (d) disclosure to a Third Party in connection with due diligence by such Third Party, and disclosure to potential Third Party investors in confidential financing documents, provided that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use, to the extent possible.

## 11. TERM; TERMINATION.

**11.1 Term; Expiration**. This Agreement shall commence on the Effective Date and, unless sooner terminated as provided hereunder, shall expire on a Licensed Product-by-Licensed Product and country-by-country basis upon the expiration of the Royalty Term with respect to such Licensed Product in such country. Following such expiration of the Royalty Term, the license granted by Elanco to Tarsus in Section 2.1 with respect to such Licensed Product in such country shall become fully-paid, royalty-free, worldwide, exclusive, and perpetual.

**11.2 Termination**.

**(a)** Upon any material breach or default of this Agreement by a Party, the other Party shall have the right to terminate this Agreement upon giving sixty (60) days' prior written notice thereof to the breaching Party. Such termination shall become effective thirty (30) days after at the end of such sixty (60) day period unless the breaching Party shall have cured any such breach or default prior to the expiration of such sixty (60) day period; or if such breach cannot be reasonably cured within sixty (60) days, but the breaching Party has commenced reasonable actions to cure such breach, then such longer period as may be required to cure such breach provided that the breaching Party continues to diligently cure such breach. If the material breach or default by the breaching Party applies only to a given country, the other Party may only terminate this Agreement with respect to such country and thereafter the Territory shall no longer include the country in which such termination has occurred.

**(b)** No such termination by a Party pursuant to Section 11.2(a) shall be effective prior to the resolution of any dispute with respect to the occurrence of any material breach of or default under this Agreement as to which such Party seeks to exercise such right of termination. If as a result of such dispute resolution process it is determined that a Party's notice of breach was proper, then such notice shall be deemed to have been effective if the breaching Party fails thereafter to cure such breach in accordance with the determination made in the resolution process within the applicable cure period following such determination. If as a result of such dispute resolution process it is determined that the notice of breach was improper, then no such notice shall be deemed to have been effective and this Agreement shall remain in effect. All of the terms and conditions of this Agreement shall remain in full force and effect during the pendency of such dispute resolution process.

**(c)** Tarsus may terminate this Agreement immediately upon notice to Elanco within thirty (30) business days after the Effective Date if, in Tarsus's reasonable discretion, the Regulatory Materials reveal any fact that would adversely affect the development and/or regulatory approval of a Licensed Product in any way.

**(d)** If Tarsus or any of its Affiliates or sublicensees, directly or indirectly, (i) initiates or requests an interference or opposition proceeding with respect to any Licensed Patents; (ii) makes, files or maintains any claim, demand, lawsuit, or cause of action to challenge the validity or enforceability of any Licensed Patents; or (iii) opposes any extension of, or the grant of a supplementary protection certificate with respect to, any Licensed Patents (any of (i) – (iii) a "Challenge"), Elanco shall have the right to terminate this Agreement upon thirty (30) days written notice to Tarsus. Any such termination shall only become effective if Tarsus or its Affiliate or sublicensee, as applicable, has not withdrawn such action before the end of the above notice period. Notwithstanding the foregoing, Elanco may not terminate this Agreement for a direct or indirect Challenge made by a sublicensee if Tarsus terminates the sublicense to such sublicensee within thirty (30) days after Elanco notifies Tarsus of such Challenge.

**(e)** Tarsus may terminate this Agreement for any or no reason upon thirty (30) days' notice.

**11.3 Effect of Expiration or Termination**.

**(a)** Upon termination of this Agreement for any reason, the license (and sublicense) granted to Tarsus under Section 2.1 shall terminate in full with respect to the country(ies) and Licensed Product(s) which are the subject of such termination.

**(b)** Notwithstanding subsection (a) above, Tarsus, its Affiliates and/or any sublicensee thereof may elect to sell all finished Licensed Products and any Licensed Products in the process of manufacture at the time of such termination for a period not to exceed [***] months after such termination, provided that Tarsus shall pay or cause to be paid to Elanco all royalty payments in accordance with Section 6.3 with respect thereto.

**(c)** Upon termination of this Agreement for any reason and following any request by the relevant sublicensee (provided that such sublicensee is then in compliance with the applicable terms of this Agreement in all material respects), any sublicense of the Licensed IP shall become a direct license between such sublicensee and Elanco (but shall not obligate Elanco beyond the terms of this Agreement) and such sublicensee shall assume all of Tarsus's payment obligations to Elanco under this Agreement with respect to such sublicensee's activities (and those of its Affiliates and sublicensees).

**(d)** Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of either Party prior to such termination or expiration. Additionally, the following terms shall survive termination or expiration of this Agreement: Sections 2.2 (unless terminated by Tarsus pursuant to Section 11.2(a)), 6.6, 6.7, 9, 10, 11, and 13. Termination or expiration of this Agreement shall not affect or prejudice any right of either Party to receive payments due hereunder or for which the event giving rise to such payment obligation has occurred prior the effectiveness of such termination or expiration or preclude or hinder the terminating Party from also bringing, amending or pursuing an action against the other Party for damages and all other available legal and equitable remedies.

**(e)** Upon termination of this Agreement by Elanco under Section 4.4 (a) or Section 11.2 (a) Tarsus shall as soon as reasonably practicable provide Elanco with copies of all documented technical and other information Controlled by Tarsus that is both: (i) specific to preclinical documentation and technical information with respect to a Licensed Product; and (ii) which are necessary for the development, manufacture and commercialization of the Licensed Product. Notwithstanding the foregoing, Tarsus shall have no obligation to provide any Regulatory Materials or clinical information or data and Elanco shall have no right to (and shall not) reference any Regulatory Materials of Tarsus after such termination.

**(f)** Upon termination of this Agreement by Elanco under Section 4.4(a) or Section 11.2(a) or Section 11.2(d), Tarsus shall promptly return all Confidential Information of Elanco.

**12. REPRESENTATIONS AND WARRANTIES.**

**12.1 Mutual Representations and Warranties**. Each Party hereby represents and warrants to the other Party as follows:

**(a)** Corporate Existence and Power. It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder.

**(b)** Authority and Binding Agreement. As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) the Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms.

**(c)** No Conflict. It is not a party to any agreement that would materially prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under the Agreement.

**12.2 Additional Representations and Warranties of Elanco**. Elanco represents and warrants to Tarsus as of the Effective Date that:

**(a)** it has all rights under the Licensed IP to grant the licenses to Tarsus as purported to be granted pursuant to this Agreement (including, without limitation, without any payment to any Third Party);

**(b)** it has not received any written notice from any Third Party asserting or alleging that any research or development of any Licensed Product by or on behalf of Elanco prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party;

**(c)** there are no actual, pending, alleged or, to Elanco's knowledge, threatened adverse actions, suits, claims, interferences or formal governmental investigations involving the Licensed Products and/or the Licensed IP by or against Elanco in or before any court or governmental authority;

**(d)** there are no patents or patent applications Controlled by Elanco or its Affiliates, other than the Licensed Patents, that would prevent Tarsus or its Affiliates or sublicensees from developing, manufacturing and/or commercializing Licensed Products as set forth herein or from exploiting the rights granted under Section 2.1; and

**(e)** the Licensed Patents cover the Compound.

**12.3** Additional Representations,Warranties and Covenants of Tarsus.

Tarsus represents, warrants and covenants that:

**(a)** to its knowledge, no employee, consultant, contractor, agent, or other representative performing services under this Agreement or any agreement between Tarsus and any other Party

contracted by Tarsus to perform work hereunder has been debarred or disqualified, or is under investigation for being debarred or disqualified by the FDA, EMEA, or other regulatory authority. Tarsus agrees to promptly notify Elanco if it learns of any such action; and

**(b)** as of the Effective Date, it has (or reasonably believes it can obtain or contract third parties to provide) the capability, resources, and expertise to fulfill its obligations under this Agreement in compliance with Applicable Law to the extent such capability, resources, and expertise would reasonably be possessed by a company in a similar stage of financing and development as Tarsus.

**12.4 No Other Representations or Warranties**. EXCEPT AS EXPRESSLY STATED IN THIS ARTICLE 12, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, IS MADE OR GIVEN BY OR ON BEHALF OF EITHER PARTY. ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

## 13. MISCELLANEOUS.

**13.1 Relationship of Parties**. Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, employer-employee or joint venture relationship between the Parties. Each Party's performance under this Agreement is that of a separate entity.

**13.2 Assignment**. Elanco shall be entitled to freely assign this Agreement or any portion thereof. Tarsus shall not be entitled to assign its rights hereunder without the express written consent of the other Party, except that Tarsus may assign this Agreement: (a) to any of the following entities or any of their Affiliates: [***]; or any entity listed on a publicly traded exchange and with a market capitalization in excess of US$[***] (each of the foregoing, a "***Permitted Assignee***"); or (b) to an Affiliate.

**13.3 Further Assurances**. At any time or from time to time after the Effective Date, each Party, at the other Party's reasonable request, shall execute and deliver such other documents, agreements and instruments (including instruments of sale, transfer, conveyance, assignment and confirmation), provide such materials and information and take such other actions as the other Party may reasonably deem necessary or desirable in order more effectively effectuate the transactions contemplated by this Agreement.

**13.4 Notice**. Any notice or request required or permitted to be given under or in connection with this Agreement shall be deemed to have been sufficiently given if in writing and personally delivered or sent by certified mail (return receipt requested), or overnight express courier service (signature required), prepaid, to the Party for which such notice is intended, at the address set forth for such Party below:

**(a)** In the case of Tarsus, to:

[***]
Attn:

with a copy to:

[***]; and

Gunderson Dettmer Stough Villeneuve Franklin and Hachigian LLP
3570 Carmel Mountain Rd
San Diego, CA 92130

Attn: Brendan C. McCarthy
Email: [***]

**(b)** In the case of Elanco, to:

Elanco US Inc.
2500 Innovation Way N
Greenfield IN 46140
Attn: Aaron Schacht
Email: [***]

with a copy to:

Elanco US Inc.
2500 Innovation Way N
Greenfield IN 46140
Attn: General Patent Counsel

or to such other address for such Party as it shall have specified by like notice to the other Party. If delivered personally, the date of delivery shall be deemed to be the date on which such notice or request was given, unless otherwise set forth in this Agreement. If sent by overnight express courier service, the date of delivery shall be deemed to be the next business day after such notice or request was deposited with such service, unless otherwise set forth in this Agreement. If sent by certified mail, the date of delivery shall be deemed to be the third business day after such notice or request was deposited with the U.S. Postal Service, or the foreign equivalent thereto, unless otherwise set forth in this Agreement.

**13.5 Public Announcements**. Except as required by Applicable Law (including, without limitation, disclosure requirements of the U.S. Securities and Exchange Commission, Nasdaq or any other stock exchange on which securities issued by Elanco are traded) and as permitted by Section 10.3, neither Party shall make any public announcement that the Parties have entered into this Agreement, without the prior written consent of the other Party (which shall not be unreasonably withheld). A Party shall be deemed to provide consent to any public announcement if it does not notify the other Party of its rejection within ten (10) days after receiving such proposed public announcement.

**13.6 Waiver; Remedies**. A waiver by either Party of any of the terms and conditions of this Agreement in any instance must be made expressly in writing and signed by an authorized representative of such Party. Any such waiver shall not be deemed or construed to be a waiver of such term or condition for the future, or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either Party.

**13.7 Severability**. Each provision of this Agreement will be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under Applicable Law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

**13.8 Amendment**. No amendment, modification or supplement of any provisions of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

**13.9 Governing Law**. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York without regard to its principles of conflicts of laws.

**13.10 Entire Agreement**. This Agreement, together with the Exhibits hereto, sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and merges all prior discussions, negotiations and agreements between them related to the subject matter hereof. For clarity, this Agreement does not supersede and replace the Eye Care and Dermatology License Agreement.

**13.11 Parties in Interest**. All the terms and provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective permitted successors and permitted assigns. Nothing in this Agreement, either express or implied, is intended to or shall confer upon any Third Party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, which right, benefit or remedy such Third Party would not have independent of this Agreement.

**13.12 Counterparts**. This Agreement may be executed simultaneously in any number of counterparts, any one of which need not contain the signature of more than one Party but all such counterparts taken together shall constitute one and the same agreement.

**13.13 Interpretations and Definitions**. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement. All words and defined terms used in this Agreement shall have the same meaning whether used in the singular or plural form. When used in this Agreement, (a) the term "day" or "days" shall mean calendar days, unless otherwise indicated herein, and (b) the term "including" means "including, without limitation." This Agreement has been prepared jointly and shall not be strictly construed against either Party.

**13.14 Eye Care and Dermatology License Agreement**. For clarity, and notwithstanding anything in this Agreement to the contrary, the Parties acknowledge that Tarsus's activities under this Agreement are separate from its activities under the Eye Care and Dermatology License Agreement (and vice versa) and no Net Sales, sublicense or milestone with respect to a Licensed Product in the Field shall be deemed Net Sales, a sublicense or a milestone under the Eye Care and Dermatology License Agreement. Similarly, no Net Sales, sublicense or milestone in the Field (as such term is defined in the Eye Care and Dermatology License Agreement) shall be deemed Net Sales, a sublicense or a milestone under this Agreement.

**REMAINDER OF PAGE INTENTIONALLY BLANK.**
**SIGNATURE PAGE FOLLOWS.**

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be executed by its duly authorized representative as of the Amended and Restated Date.

TARSUS PHARMACEUTICALS, INC.

By: /s/ Bobak Azamian

Name: Bobak Azamian

Title: Chief Executive Officer

ELANCO TIERGESUNDHEIT AG

By: /s/ Olivier Froelich

Name: Olivier Froelich

Title: VP External Manufacturing

**Exhibit A**

**Licensed Patents**

[***]

**Exhibit B**

Summary of the intended development and commercialization activities.

[***]

**Exhibit C**

**Diligence Milestones**

| Diligence Milestone | Achievement Deadline |
|---|---|
| [***] | [***] months after the Effective Date |
| [***] | [***] months after the Effective Date |
| [***] | [***] years after the Effective Date |
| [***] | [***] years after the Effective Date |

**Exhibit D**

**Lock-up Agreement**

**Exhibit 31.1**

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bobak Azamian, M.D., Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tarsus Pharmaceuticals, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

By: /s/ Bobak Azamian, M.D., Ph.D.

Bobak Azamian, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Leo M. Greenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tarsus Pharmaceuticals, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

By: /s/ Leo M. Greenstein
Leo M. Greenstein
Chief Financial Officer
(*Principal Financial Officer and Principal Accounting Officer*)

**Exhibit 32.1**

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
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 of Tarsus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bobak Azamian, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

By: /s/ Bobak Azamian, M.D., Ph.D.
Bobak Azamian, M.D., Ph.D.
President and Chief Executive Officer
*(Principal Executive Officer)*

**Exhibit 32.2**

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
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 of Tarsus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leo M. Greenstein, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

By: /s/ Leo M. Greenstein
Leo M. Greenstein
Chief Financial Officer
*(Principal Financial Officer and Principal Accounting Officer)*