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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 March 31, 2021

☐ 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 7(a)(2)(B) of the Securities Act. ☒

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

20,524,474 shares of common stock, $0.0001 par value, outstanding as of May 1, 2021.

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PART I—FINANCIAL INFORMATION

Item I. Financial Statements (Unaudited)

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TARSUS PHARMACEUTICALS, INC.

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

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 156,179	$ 168,129
Restricted cash	20	20
Accounts receivable	25,000	—
Contract asset	7,199	—
Other receivables	247	20
Prepaid expenses and other current assets	2,806	2,486
Total current assets	191,451	170,655
Property and equipment, net of accumulated depreciation	589	548
Operating lease right-of-use asset	584	688
Other assets	1,330	81
Total assets	$ 193,954	$ 171,972
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 9,433	$ 4,347
Accrued payroll and benefits	685	1,040
Total current liabilities	10,118	5,387
Other long-term liabilities	604	605
Total liabilities	10,722	5,992
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000,000 authorized at March 31, 2021 and December 31, 2020; no shares issued and outstanding at March 31, 2021 and December 31, 2020	—	—
Common stock, $0.0001 par value; 200,000,000 shares authorized; 20,703,849 shares issued and 20,524,474 outstanding, which excludes 179,375 shares subject to repurchase at March 31, 2021 (unaudited); 20,502,576 shares issued and 20,323,301 outstanding, which excludes 179,375 shares subject to repurchase at December 31, 2020	4	4
Additional paid-in capital	205,697	198,821
Accumulated deficit	(22,469)	(32,845)
Total stockholders' equity	183,232	165,980
Total liabilities, preferred stock and stockholders' equity	$ 193,954	$ 171,972

See accompanying notes to these unaudited condensed financial statements.

TARSUS PHARMACEUTICALS, INC.

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

	Three Months Ended March 31,	
	2021	2020
Revenues:		
License fees	$ 33,311	$ —
Collaboration revenue	121	—
Total revenues	33,432	—
Operating expenses:		
Cost of license fees and collaboration revenue	1,297	—
Research and development	16,261	1,512
General and administrative	5,160	606
Total operating expenses	22,718	2,118
Income (loss) from operations before other (expense) income and income taxes	10,714	(2,118)
Other income (expense):		
Interest income (expense), net	9	161
Other (expense) income, net	(34)	—
Total other (expense) income	(25)	161
Provision for income taxes	(313)	—
Net income (loss) and comprehensive income (loss)	$ 10,376	$ (1,957)
Net income (loss) per share		
Basic	$ 0.51	$ (0.74)
Diluted	$ 0.47	$ (0.74)
Weighted-average shares outstanding		
Basic	20,336,022	2,650,363
Diluted	21,824,574	2,650,363

See accompanying notes to these unaudited condensed financial statements.

TARSUS PHARMACEUTICALS, INC.

CONDENSED STATEMENTS OF PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(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, 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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2019	8,249,939	$ 63,402	2,646,619	$ 2	$ 27	$ (6,034)	$ (6,005)
Net loss	—	—	—	—	—	(1,957)	(1,957)
Recognition of stock-based compensation expense	—	—	—	—	4	—	4
Lapse of repurchase rights related to common stock issued pursuant to early exercises	—	—	4,300	—	—	—	—
Balance as of March 31, 2020	8,249,939	63,402	2,650,919	2	31	(7,991)	(7,958)

See accompanying notes to these unaudited condensed financial statements.

TARSUS PHARMACEUTICALS, INC.

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

	Three Months Ended March 31,	
	2021	**2020**
Cash Flows From Operating Activities:		
Net income (loss)	$ 10,376	$ (1,957)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	64	15
Stock-based compensation *(Note 5)*	1,363	4
Amortization of operating lease right-of-use asset *(Note 8(a))*	43	12
Loss on disposal of property and equipment	70	—
Loss on lease termination	2	—
Unrealized gain from transactions denominated in a foreign currency	(35)	—
Issuance of common stock pursuant to in-license agreement	5,494	—
Changes in operating assets and liabilities:		
Accounts receivable	(25,000)	—
Contract asset	(7,199)	—
Other receivables	(227)	4
Prepaid expenses and other current assets	(321)	(222)
Other non-current assets	(1,255)	—
Accounts payable and other accrued liabilities	5,063	313
Accrued payroll and benefits	(355)	(165)
Other long-term liabilities	123	—
Net cash used in operating activities	(11,794)	(1,996)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(175)	(36)
Cash used in investing activities	(175)	(36)
Cash Flows From Financing Activities:		
Proceeds from issuance of Series B Preferred Stock, net of issuance costs	—	(27)
Proceeds from exercise of vested stock options	19	—
Net cash provided by financing activities	19	(27)
Net decrease in cash, cash equivalents and restricted cash	(11,950)	(2,059)
Cash, cash equivalents, and restricted cash — beginning of year	168,149	57,972
Cash, cash equivalents, and restricted cash — end of period	$ 156,199	$ 55,913
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 156,179	$ 55,893
Restricted cash	20	20
Cash, cash equivalents and restricted cash	$ 156,199	$ 55,913
Supplemental Disclosures Noncash Investing and Financing Activities:		
Additions of property and equipment in accounts payable and other accrued liabilities	$ —	$ 12
Derecognition of right-of-use asset upon lease termination	$ (38)	$ —
Stock issued to licensor pursuant to execution of out-license agreement	$ 5,494	$ —

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 late clinical-stage biopharmaceutical company focused on the development and commercialization of novel therapeutic candidates to address large market opportunities initially in ophthalmic conditions where there are limited treatment alternatives.

(b) Initial Public Offering and Reverse Stock Split

On October 20, 2020, the Company completed its initial public offering ("IPO") through an underwritten sale of 6,325,000 shares of its common stock at a price of $16.00 per share, inclusive of an additional 825,000 common shares sold upon the full exercise of the underwriters’ purchase option. The aggregate net proceeds by the Company from the offering totaled $91.7 million after deducting underwriting discounts and commissions and other offering expenses.

Concurrent with the closing of the Company's IPO, all then-outstanding shares of its convertible preferred stock (see *Note 4*) were automatically converted into an aggregate of 11,107,018 issued shares of common stock.

On October 8, 2020, the Tarsus Board of Directors approved a 1-for-7.4276 reverse stock split and a certificate of amendment was filed to restate the Company's certificate of incorporation to effect this reverse split. The par value was not adjusted as a result of the reverse stock split. All share and per share information included in the accompanying financial statements give retroactive effect to this reverse stock split for all periods presented.

(c) Liquidity Risks

The Company has no product sales, and since inception, has accumulated losses and negative cash flows from operations, resulting in an accumulated deficit of $22.5 million as of March 31, 2021 and $32.8 million as of December 31, 2020. The Company’s cash and cash equivalents was $156.2 million and $168.1 million as of March 31, 2021 and December 31, 2020, respectively. The Company has funded its inception to-date operations primarily through equity capital raises.

The Company believes that existing capital resources will be sufficient to meet projected operating requirements for at least 12 months from the date of issuance of the accompanying financial statements.

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. Management expects to continue to incur additional substantial losses in the foreseeable future as a result of the Company’s research and development activities.

The Company’s operations have consisted primarily of the build-out of its corporate organization, in-licensing intellectual property, and conducting preclinical and clinical studies. The Company faces risks associated with early-stage biotechnology companies whose product candidates are in development that require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require the Company to expend large amounts of additional capital to complete research and development, achieve research and development objectives, defend intellectual property rights, and recruit and retain skilled personnel, including key members of management.

The Company will be required to raise additional capital to fund future operations, however, no assurance can be given as to whether additional needed 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. Any future debt financing into which the Company enters may impose 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, consolidation or asset sale transactions. Any debt financing or additional equity raise may contain terms that are not favorable to the Company or its stockholders. Further, adequate funding may not be available on acceptable terms, or at all. 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 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.

(d) Operating Segment

To date, the Company has operated and managed its business and financial information on an aggregate basis for the purposes of evaluating financial performance and the allocation of resources. Accordingly, the Company's management determined that it operates in one reportable operating segment that is focused exclusively on developing pharmaceutical products for eventual commercialization.

(e) 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 and, as a result, 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 accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X 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 March 31, 2021, and the interim condensed statements of operations and comprehensive income (loss), changes in preferred stock and stockholders' equity and cash flows for the three months ended March 31, 2021 and 2020 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, necessary for the fair statement of the Company's financial information. The financial data and other information disclosed in these notes related to the three and nine-month periods are also unaudited. The condensed balance sheet as of December 31, 2020 has been derived from the audited financial statements at that date but does not include all information and footnotes required by GAAP for complete financial statements. The condensed interim operating results for the three months ended March 31, 2021 are not necessarily indicative of results to be expected for the year ending December 31, 2021, any other interim periods or any future year or period.

The accompanying interim unaudited condensed financial statements should be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2020 in the Company's Annual Report on Form 10-K ("Annual Report") for the fiscal year ended December 31, 2020, as filed with the SEC on March 31, 2021.

The preparation of financial statements in conformity with GAAP and with the rules and regulations of the Securities and Exchange Commission ("SEC") requires management to make informed estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. These amounts may materially differ from the amounts ultimately realized and reported due to the inherent uncertainty of any estimate or assumption. On an on-going basis, management evaluates its most critical estimates and assumptions, including those related to the (i) fair value of equity-based awards and periodic recognition of stock-based compensation, (ii) the realization of income tax assets and estimates of tax liabilities, and (iii) expense accruals related to research and development activities, including clinical trials.

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, with original maturities of three months or less from the purchase date.

(iii) Restricted Cash

Restricted cash represents cash held as collateral for the Company's corporate credit card program. Any cash that is legally or contractually restricted from immediate use is classified as restricted cash.

(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. 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 will 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, including TP-03 for ophthalmic conditions, TP-04 for treatment of skin conditions and TP-05 for prophylaxis of Lyme and community malaria reduction, (3) uncertainty of market acceptance of its product candidates, (4) competition from substitute products and larger companies, (5) securing and protecting proprietary technology and strategic relationships, and (6) and 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 these necessary approvals. If the Company is denied approval, approval is delayed, or is unable to maintain approval for any product candidate, it could have a materially adverse impact on the Company's business.

(v) Property and Equipment

Property and equipment is stated at historical cost and is depreciated on a straight-line basis over an estimated useful life that corresponds with its designated asset category. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or the estimated useful lives of related improvements. The Company evaluates the recoverability of "long-lived assets" (which includes property and equipment) whenever events or changes in circumstances in the business indicate that the asset's carrying amount may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the sum of the future undiscounted cash flows the assets are expected to generate over the remaining useful lives of the assets. If a long-lived asset fails a recoverability test, the Company measures the amount by which the carrying value of the asset exceeds its fair value. Other than the right-of-use ("ROU") asset impairment discussed in *Note 8*, there were no events or changes in business circumstances during the three months ended March 31, 2021 or year ended December 31, 2020 that indicated the carrying amounts of any long-lived assets were not fully recoverable.

(vi) Revenue Recognition for Out-License Arrangements

Overview

The Company currently has a single out-license arrangement that allows the licensee to market the Company's TP-03 product (representing "functional intellectual property") in certain territories for a stated term. 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 allocable transaction price (including variable consideration), (c) the stand-alone selling price for each performance obligation identified, and (d) the periods over which such revenue is recognized.

The Company's out-license arrangement, as described in *Note 9*, was analyzed 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 license product, and governance committee services, are distinct, or must be accounted for as part of a combined performance obligation. In assessing whether promised goods or services are distinct, 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.

The Company enters into out-license arrangements in exchange for the following forms of consideration: (i) upfront cash payments, (ii) equity-based consideration, (iii) sales royalties, (iv) sales threshold milestones, (v) development milestone fees, and (vi) regulatory milestone fees. 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, adjusts the probability of achievement and related revenue recognition. The measure of progress, and

thereby periods over which revenue is recognized, are subject to estimates by management and may change over the course of the agreement.

Contractual Terms for the Right to Collect Payment

The contractual terms that establish the Company's right to collect payment from its customer once the performance obligation is satisfied and require evaluation of the timing and amount of revenue recognition are as follows:

(1) ***Upfront License Fees:*** The Company determines whether non-refundable license consideration is recognized at the time of contract execution (i.e., when the license is transferred to the customer and 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.

(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. 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. 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, thus 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). 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 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 sales to its customers at the later of (i) the occurrence of the related 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.

(vii) 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, 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 uses, 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.

(viii) Stock-Based Compensation

Stock-based compensation expense is recognized for all equity awards granted to employees, consultants, and members of the Company's Board of Directors and is recognized at fair value. For stock-based awards that vest subject to the satisfaction of a service requirement, the fair value measurement date is the date of grant and 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 compensation cost if and when it concludes that it is probable that the performance condition will be achieved and the related expense is recognized on an accelerated attribution method. As applicable, the Company reverses previously recognized expense for forfeitures of unvested awards in the period of occurrence. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards as of the date of grant.

The measurement of the fair value of stock-based 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, (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 formation. Further, prior to the IPO, the Company was privately-held and therefore lacked company-specific historical and implied volatility information of its stock. 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.

Prior to the IPO, given the absence of a public trading market, the Company's Board of Directors, with input from management, considered numerous objective and subjective factors to determine the fair value of its common stock. The factors included: (i) third-party valuations of the Company's common stock; (ii) the Company's stage of development; (iii) the status of research and development efforts; (iv) the rights, preferences and privileges of the Company's preferred stock relative to common stock; (v) the Company's operating results and financial condition, including the Company's levels of available capital resources; (vi) equity market conditions affecting comparable public companies; (vii) general U.S. market conditions; and (viii) the lack of current marketability of the Company's common stock. Subsequent to the IPO, 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 costs are reported in the Statements of Operations and Comprehensive Income (Loss) within "research and development" expense or "general and administrative" expense, based upon the underlying employee's role within the Company.

(ix) Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recorded based on the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements, as well as operating losses and tax credit carry forwards using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain due to the Company's historical operating performance and recorded cumulative net losses in prior fiscal periods.

A valuation allowance is recorded to reduce deferred tax assets, because based upon a weighting of positive and negative factors, it is more likely than not that these deferred tax assets will not be realized. If and when the Company were to determine that deferred tax assets are realizable, an adjustment to the corresponding valuation allowance would increase the net income in the period that such determination was made.

In the event that the Company is assessed interest and/or penalties from taxing authorities that have not been previously accrued, such amounts would be included as a component of "income tax expense" within the Statements of Operations and Comprehensive Income (Loss) in the period the notice was received. To date there have been no interest or penalties charged.

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. *ASU 2019-12* removes certain exceptions for performing intraperiod tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. The Company adopted *ASU 2019-12* in the first quarter of 2021 and had no material impact to its financial statements.

(x) Net Income (Loss) per Share Attributable to Common Stockholders

Basic net income (loss) per share attributable to common stockholders is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding for the period, without the consideration for potential dilutive shares of common stock. Diluted net income (loss) per share is computed by dividing the net loss 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. In periods of net income, net income is attributed to both common stockholders and participating security holders, and therefore, net income was allocated to common shares 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 months ended March 31, 2020, all otherwise potentially dilutive securities are antidilutive. Accordingly, basic net loss per share equals diluted net loss per share for the three months ended March 31, 2020.

(xi) 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:

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

- *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 their short maturities. Derivative instruments (see *Note 7*) are carried at fair value based on unobservable market inputs.

(xii) Comprehensive Income (Loss)

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

(xiii) 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 financial statement captions that comprise the accompanying balance sheets are summarized below:

(a) Property and Equipment, net of Accumulated Depreciation

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

	March 31, 2021	December 31, 2020
Furniture and fixtures	$ 349	$ 294
Office equipment	52	74
Lab equipment	167	173
Leasehold improvements	163	141
Property and equipment, at cost	731	682
(Less): Accumulated depreciation and amortization	142	134
Property and equipment, net of accumulated depreciation and amortization	$ 589	$ 548

Depreciation expense (included within "total operating expenses" in the accompanying Statements of Operations and Comprehensive Income (Loss)) for the three months ended March 31, 2021 and 2020 was $64 thousand, and $15 thousand, respectively.

(b) Other Assets

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

"Other assets" consists of the following:

	March 31, 2021	December 31, 2020
Deposits	$ 27	$ 33
Equity warrant rights*	1,233	—
Other long term assets	70	48
Other assets	$ 1,330	$ 81

*In January 2020, the FASB issued *Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (a consensus of the Emerging Issues Task Force), which clarifies the interaction of the accounting for equity securities, investments accounted for under the equity method, and certain forward contracts and purchased options. This update is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company is in the process of determining the impact the adoption will have on its financial statements, beginning as of and for the three months ending March 31, 2022. In January 2020, the FASB issued *Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (a consensus of the Emerging Issues Task Force), which clarifies the interaction of the accounting for equity securities, investments accounted for under the equity method, and certain forward contracts and purchased options. This update is also effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company is also in the process of determining the impact the adoption will have on its financial statements, also beginning in the first quarter of 2022.

(c) Accounts Payable and Other Accrued Liabilities

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

	March 31, 2021	December 31, 2020
Trade accounts payable and other	$ 4,997	$ 2,237
Operating lease liability, current portion	221	282
Accrued clinical studies	3,567	1,524
Income taxes payable	313	—
Employee stock option early exercise liability, current portion	335	304
Accounts payable and other accrued liabilities	$ 9,433	$ 4,347

(d) Other Long-Term Liabilities

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

	March 31, 2021	December 31, 2020
Operating lease liability, non-current portion	$ 456	$ 549
Derivative liability	123	—
Employee stock option early exercise liability, non-current portion	25	56
Other long-term liabilities	$ 604	$ 605

4. STOCKHOLDERS' EQUITY

Authorized Stock

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

Under the October 2020 Amended and Restated Certificate of Incorporation, the Company is authorized to issue two classes of stock: common and preferred. The total number of shares authorized for issuance is 200.0 million shares of common stock and 10.0 million shares of preferred stock.

Common Stock Overview and Reserve for Future Issuance

Common stockholders have one vote for each share of common stock held and are entitled to receive any dividends declared by the Company's Board of Directors when legally available for distribution, then-subject to the dividend rights of the holders of preferred stock. For the three months ended March 31, 2021 and for the year ended December 31, 2020, no dividends were declared.

As of March 31, 2021 and December 31, 2020, the Company had 20.7 million and 20.5 million shares of common stock issued, respectively. At March 31, 2021 and December 31, 2020, the Company had 20.5 million, and 20.3 million shares of common stock outstanding, respectively. The following shares of common stock were reserved for issuance:

	March 31, 2021	December 31, 2020
Stock options issued and outstanding	2,448,675	1,836,739
Stock options reserved for future grant	9,790,635	9,414,091
Total shares of common stock reserved	12,239,310	11,250,830

5. STOCK-BASED COMPENSATION

2020 and 2016 Equity Incentive Plans

The Company's Board of Directors and stockholders adopted and approved the Company's 2020 Equity Incentive Plan (the "2020 Plan") on October 8, 2020. The 2020 Plan replaced the Company's 2016 Equity Incentive Plan adopted in December 2016 (the "2016 Plan"), however, awards outstanding under the 2016 Plan will continue to be governed by their existing terms. The number of shares of the Company's common stock that were initially available for issuance under the 2020 Plan equaled the initial sum of 9,000,000 shares *plus* 2,432,980 shares that were then available for issuance under the 2016 Plan. The 2020 Plan provides for the following types of awards: incentive and non-statutory stock options, stock appreciation rights, restricted shares, and restricted stock units.

The number of shares of common stock reserved for issuance under the 2020 Plan are increased automatically on the first business day of each fiscal year, commencing in 2021 and ending in 2030, by a number equal to the *lesser of*: (i) 4% of the shares of common stock outstanding on the last business day of the prior fiscal year; or (ii) the number of shares determined by the Company's Board of Directors. In general, to the extent that any awards under the 2020 Plan are forfeited, terminate, expire or lapse without the issuance of shares, or if the Company reacquires the shares subject to awards granted under the 2020 Plan, those shares will again become available for issuance under the 2020 Plan, as will shares applied to pay the exercise or purchase price of an award or to satisfy tax withholding obligations related to any award.

Stock-based awards are governed by agreements between the Company and the recipients. Incentive stock options and nonqualified stock options may be granted under the 2020 Plan (and previously the 2016 Plan) at an exercise price of not less than 100% of the fair market value of common stock on the respective date of grant. The grant date is the date the terms of the award are formally approved by the Company's Board of Directors or its designee.

Through March 31, 2021, all awards issued under the 2020 Plan and 2016 Plan were in the form of stock options. These option agreements have service and/or performance conditions for vesting, unless immediately vested on the date of grant. Stock options granted typically have one to four-year service conditions for full vesting. The performance conditions for vesting are explicitly stated in each option agreement and are associated with clinical, business development, or operational milestones.

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

Stock options must generally be exercised, if at all, no later than 10 years from the date of grant. Upon termination of employment, vested stock options may be exercised within 12 months after the date of termination upon death; six months after the date of termination upon disability; and three months after the date of termination for all other separations.

Stock-Based Compensation Summary

Stock-based compensation expense is recorded in the accompanying condensed statements of operations and comprehensive income (loss) based on the assigned department of the award recipient. Stock-based compensation expense for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
Research and development	$ 344	$ 1
General and administrative	1,019	3
Total stock-based compensation	$ 1,363	$ 4

Early Exercise Feature of Certain Stock Options

The 2016 Plan permits certain option holders to exercise awarded options prior to vesting. Upon this early exercise, the options become subject to a restricted stock agreement and remain subject to the same vesting provisions in the corresponding stock option award. These unvested options are subject to repurchase by the Company upon termination — at the same price previously exercised. These unvested shares are reported as issued (but not outstanding) on the accompanying Balance Sheets while subject to repurchase by the Company. These shares are also excluded from the basic net income (loss) per share until the repurchase right lapses upon vesting. These shares are considered in the diluted net income per share as of March 31, 2021.

The Company initially records a liability for these early exercises that is subsequently reclassified into stockholders' equity on a pro rata basis as vesting occurs. As of March 31, 2021 and December 31, 2020, the Company recorded the unvested portion of the exercise proceeds of $0.4 million as a liability from the early exercise in the accompanying Balance Sheets.

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

6. NET INCOME (LOSS) PER SHARE

The Company permits certain option holders to exercise awarded options prior to vesting (see *Note 5*). Upon this early exercise, the options become subject to a restricted stock agreement and remain subject to the same vesting provisions in the corresponding stock option award. These early exercised options are considered to be "participating securities" due to non-forfeitable right to dividends (i.e., even prior to vesting). For the three months ended March 31, 2021, the "two-class method" was utilized to calculate diluted net income per share as it was more dilutive than the "treasury stock method". Due to a net loss for the three months ended March 31, 2020, all otherwise potentially dilutive securities are antidilutive. Accordingly, basic net loss per share equals diluted net loss per share for the three months ended March 31, 2020.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Three Months Ended March 31,	
	2021	2020
Basic EPS		
Net income (loss)	$ 10,376	$ (1,957)
Less: undistributed income allocated to participating securities	90	—
Net income available to common shareholders	$ 10,286	$ (1,957)
Basic weighted average shares outstanding	20,336,022	2,650,363
Net income (loss) per share attributable to common stockholders—basic	$ 0.51	$ (0.74)
Diluted EPS		
Net income (loss)	$ 10,376	$ (1,957)
Less: undistributed income reallocated to participating securities	84	—
Net income available to common shareholders	$ 10,292	$ (1,957)
Basic weighted average shares outstanding	20,336,022	2,650,363
Effect of dilutive securities:		
Common stock options	1,488,552	—
Diluted weighted average shares outstanding	21,824,574	2,650,363
Net income (loss) per share attributable to common stockholders—diluted	$ 0.47	$ (0.74)

During the three months ended March 31, 2021, 0.6 million stock options were excluded from the computation of net income per share because the effect would have been anti-dilutive. Additionally, during the three months ended March 31, 2020, 2.2 million unexercised stock options and 8.2 million shares of preferred stock were excluded from the calculation of diluted net loss per share attributable to common stockholders because their impact under the “treasury stock method” and "if-converted method" would have been anti-dilutive.

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

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(xiii)*):

	March 31, 2021 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 156,179	$ —	$ —	$ 156,179
Equity warrant rights	—	—	1,233	1,233
Total assets measured at fair value	$ 156,179	$ —	$ 1,233	$ 157,412

	December 31, 2020 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 168,129	—	—	$ 168,129
Total assets measured at fair value	$ 168,129	—	—	$ 168,129

Money Market Funds

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

Equity Warrant Rights

In March 2021, contemporaneous with the China Out-License transaction (see *Note 9*), the Company and LianBio Ophthalmology Limited (“LianBio”), executed a warrant agreement for the Company to purchase a stated number of common shares of LianBio, a privately-held China-focused pharmaceutical company, at fair value (on a per share basis at the time of issuance) and will vest upon the achievement of certain clinical and regulatory events.

These warrants are classified as *Level 3* in the fair value measurement hierarchy. The most significant assumptions used in the option pricing valuation model to determine fair value include: the estimated current fair value of LianBio common stock, LianBio stock volatility (based on the historical volatility of similar companies), and the probability of achievement of the clinical and regulatory milestones for vesting.

These warrant agreements allow for "noncash settlement" and therefore met the criteria to be recognized as a "derivative asset" on the accompanying Condensed Balance Sheets and are presented within "other assets" as of March 31, 2021 (see *Note 3(b)*). These warrants will be remeasured with a corresponding amount reported in "other (expense) income, net" on the Statement of Operations and Comprehensive Income (Loss) at each reporting date, until exercised or expired. As of March 31, 2021, none of these warrant rights met the milestone criteria for vesting.

8. COMMITMENTS & CONTINGENCIES

(a) Facility Leases

Overview

In the ordinary course of business, the Company enters lease agreements with unaffiliated parties for the use of office and laboratory facilities and office equipment. As of December 31, 2020, the Company had three active facility leases in Irvine, California. Separately in January 2021, the Company entered into a six-month lease for an additional adjacent administrative office suite that was not capitalized due to its under 12-month term. In December 2020, the Company recorded a

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

$15 thousand impairment of its "operating lease right-of-use lease asset" in connection with its decision to early terminate one of the leases, which was completed in January 2021.

The Company's remaining two capitalized facility leases for adjacent administrative and laboratory suites in Irvine, California commenced on June 1, 2020. These leases each expire on January 31, 2024 and one includes a renewal option that was not reasonably certain to be exercised at the time of lease commencement for purposes of its associated accounting for capitalized "operating lease right-of-use asset" and accompanying lease liability included within "accounts payable and other accrued liabilities" and "other long-term liabilities" on the accompanying Condensed Balance Sheets, amounting to an aggregate $0.7 million. These operating leases have annual rent that is payable monthly and carry fixed annual increases. Also, under these arrangements, real estate taxes, certain operating expenses, and common area maintenance are paid by the Company; since these costs are variable in nature, they are excluded from the measurement of the reported right-of-use asset and liability and are expensed as incurred.

During the year ended December 31, 2020 and for the three months ended March 31, 2021, the Company had no sublease arrangements with it as lessor.

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 right-of-use asset is amortized over the lease term on a straight-line basis to lease expense, as reported on an allocated basis within “research and development” and “general and administrative” expenses on the accompanying Statements of Operations and Comprehensive Income (Loss). The components of lease cost were as follows:

	Three months ended March 31,	
	2021	2020
Operating lease cost	$ 60	$ 16
Variable lease cost	60	1
Short-term lease cost	32	—
Total lease cost	$ 152	$ 17

Weighted-Average Remaining Lease Term and Applied Discount Rate as of March 31, 2021 and December 31, 2020

As of March 31, 2021 and December 31, 2020, the Company's active facility leases had a weighted average remaining lease term of 2 years, 10 months and 2 years, 10 months, respectively. The weighted average estimated incremental borrowing rate of 10% was utilized to present value future minimum lease payments since an implicit interest rate was not readily determinable.

Future Contractual Lease Payments as of March 31, 2021

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:

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

Operating Leases - future payments	March 31, 2021
2021 (remaining nine months)	$ 199
2022	271
2023	281
2024	25
2025	—
Total future lease payments, undiscounted	$ 776
(Less): Imputed interest	(99)
Present value of operating lease payments	$ 677

(b) In-License Agreements for Lotilaner

Agreement for Skin and Eye Disease or Conditions in Humans

In January 2019, the Company entered into an in-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 (the "January 2019 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 January 2019 Agreement. In September 2020, the Company made a required $1.0 million clinical milestone payment associated with the first of two U.S. pivotal trials for the treatment of Demodex blepharitis. The Company recognized an additional $2.0 million expense for its second pivotal trial milestone in the three months ended March 31, 2021, which was paid in April 2021. These amounts are presented in the applicable period within "research and development" expense in the accompanying Statements of Operations and Comprehensive Income (Loss).

The Company may make further cash payments to Elanco under this January 2019 Agreement upon the 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 contractual royalties to Elanco in the single digits of its net 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 the Company achieved applicable regulatory approval prior to sublicense execution.

Agreement for All Other Diseases or Conditions in Humans

In September 2020, the Company executed an expanded 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, the “September 2020 Agreement”). The Company issued Elanco 222,460 shares of its common stock at the execution of the September 2020 Agreement. The value of these shares was $3.1 million ($14.0003 per share, approximating the issuance price of the Company's Series C preferred stock in September 2020).

As of March 26, 2021, the Company entered into an out-license agreement with LianBio (see *Note 9*), which obligated it to grant Elanco an additional fixed 187,500 shares of the Company's common stock that were otherwise required to be granted no later than the 18-month anniversary of the September 2020 Agreement for the Company's continued license exclusivity. These additional shares were valued at $5.5 million based on the Company's stock closing price of $29.30 per share (on the date the issuance became contractually required) and are reported within "research and development" expense within the accompanying Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2021.

The Company is required to make further cash payments to Elanco under the September 2020 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 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 the Company achieved applicable regulatory approval prior to sublicense execution.

(c) Employment Agreements

The Company has entered into employment agreements with six of its named 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 varies, and in certain cases, is indefinite and does 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 (the “China Out-License”) with LianBio for 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. LianBio is responsible for all development and commercialization costs in the China Territory.

Under the contractual terms of the China Out-License, the Company received $15.0 million in April 2021 and $10.0 million in May 2021. The Company will also receive development and regulatory and sales-based milestones upon achievement of up to $75.0 million and $100.0 million, respectively, as well as tiered mid-to-high-teen royalties on LianBio's sales of TP-03 in the China Territory. The Company also received as consideration, warrant rights to purchase common shares of LianBio, subject to certain TP-03 clinical and regulatory achievements for vesting. The valuation of these at-the-money warrants was based on a discounted cash flow model with the application of highly subjective inputs for this pre-revenue company, including the probability of requisite achievements for vesting.

For the three months ended March 31, 2021, the Company recognized "license fees" and "collaboration revenue" of $33.3 million and $0.1 million, respectively (each representing separately valued "performance obligations" in the China Out-License) in the accompanying Condensed Statements of Operations and Comprehensive Income (Loss), in accordance with the revenue recognition accounting policy described in *Note 2(vi)*. These revenue amounts were each recognized upon (i) the transfer of TP-03 license rights in the China Territory to LianBio and (ii) the partial completion of clinical activities and related data for the Company's pivotal trials of TP-03 in the treatment of Demodex blepharitis.

In future periods, the Company will recognize additional revenue from contractual receipts due from LianBio as (1) performance obligations are satisfied related to TP-03 pivotal trial completion and associated clinical data and reports are delivered, (2) regulatory approval events are achieved, and (3) LianBio has sales of TP-03 in the China Territory.

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, prospects, 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. Forward-looking statements contained in this report include, but are not limited to, statements about:

- 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 or globally, as applicable, who suffer from Demodex blepharitis, 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 United States 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 IPO.

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 late clinical-stage biopharmaceutical company focused on the development and commercialization of therapeutic candidates to address large market opportunities initially in ophthalmic conditions where there are limited treatment alternatives. Our lead product candidate, TP-03, is a novel therapeutic in Phase 2b/3 that is being developed for the treatment of 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 a condition characterized by inflammation of the eyelid margin, redness and ocular irritation, including a specific type of eyelash dandruff called collarettes. The healthy interaction of the eyelid and the surface of the eyeball is crucial to ocular health. Poorly controlled and progressive blepharitis can lead to worsening of corneal damage over time and, in extreme cases, blindness.

According to published studies, there are an estimated 20 million patients in the United States who suffer from blepharitis, with approximately 45% or nine million of cases caused by Demodex infestation. Further, our estimates indicate the possible number of Demodex blepharitis cases may be as high as approximately 25 million, based on our internal research indicating approximately 58% of patients presenting to eye care clinics have collarettes and a published study estimating that at least 45 million people annually visit an eye care clinic.

We believe that TP-03 has the potential to be the first therapeutic approved by the United States Food and Drug Administration ("FDA") for the treatment of Demodex blepharitis and become the standard of care. The active pharmaceutical ingredient ("API") of TP-03, lotilaner, is designed to paralyze and eradicate 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 for TP-03 in Demodex blepharitis, all of which met their primary, secondary and/or exploratory endpoints, as applicable, and during which TP-03 was well tolerated. Our Phase 2b/3 trial, Saturn-1, commenced in September 2020 and was fully enrolled by the first quarter of 2021. We commenced our second pivotal trial, Saturn-2, in the second quarter of 2021. Saturn-1 and Saturn-2 have primary and secondary endpoints consistent with those of our earlier Europa and Io Phase 2 trials. We expect these TP-03 pivotal trials to support our submission of a new drug application ("NDA") with the FDA for the treatment of Demodex blepharitis.

We intend to further advance our pipeline with lotilaner API to address several diseases across therapeutic categories in human medicine, including eye care, dermatology, and other diseases. These targeted diseases with high unmet medical needs currently include TP-03 for the treatment of Meibomian Gland Disease ("MGD"), TP-04 for the potential treatment of rosacea and TP-05 for potential Lyme prophylaxis and community malaria reduction.

Recent Business and Clinical Highlights

TP-03 Demodex Blepharitis Pivotal Trials: On May 6, 2021, we announced that our Saturn-1 trial with 421 subjects was fully enrolled and we expect to announce its topline data results in July 2021. We also announced the commencement of our second pivotal trial, Saturn-2. This trial is substantially identical in design to Saturn-1 and will enroll approximately 418 participants. If the results of the Saturn-1 and Saturn-2 trials are statistically significant against vehicle, we expect both to support our submission of an NDA (as confirmed with the FDA through a *Type C* meeting held in December 2020) for the use of TP-03 for the treatment of Demodex blepharitis.

TP-03 China Territory Out-License: On March 26, 2021, we executed an out-license agreement (the "China Out-License") with LianBio Ophthalmology Limited (“LianBio”), granting exclusive commercial rights of 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"). As initial time-based proceeds for the China Out-License, we received $15 million in April 2021 and $10 million in May 2021.

We are also contractually entitled to receive (i) $10 million by June 30, 2021 for an achieved TP-03 clinical milestone, (ii) other clinical, regulatory, and sales milestone receipts totaling $45 million, $20 million, and $100 million, respectively, (iii) tiered royalties in the low double-digits on the net sales of TP-03 within the China Territory, and (iv) warrant rights to purchase common shares of LianBio, subject to vesting provisions.

Assuming we achieve remaining U.S. clinical milestones for TP-03 (expected by March 2022), cumulative proceeds from LianBio will total $70 million within the first 12 months following agreement execution.

TP-05 IND Acceptance for Lyme Disease: On May 4, 2021, we announced that the FDA accepted our Investigational New Drug ("IND") application for TP-05, an oral, non-vaccine, therapeutic for the prevention of Lyme disease. With this IND acceptance, we will initiate our Phase 1 single ascending dose and multiple ascending dose (SAD/MAD) study to evaluate the safety, tolerability, and pharmacokinetics (PK) of TP-05 in healthy volunteers. Study initiation is anticipated in the third quarter of 2021.

Atlas and Europa Studies Presented at ARVO: On May 3, 2021, we released the results of the Atlas study at the virtual Association for Research in Vision and Ophthalmology (ARVO) 2021 Annual Meeting. The Atlas study is the first multi-center observational study to evaluate the functional and psychosocial impact of Demodex blepharitis. The study also provided insights on the clinical manifestations of Demodex blepharitis in adult patients. Overall, the study showed that this disease is associated with a significant symptomatic and psychosocial burden, negatively affecting daily life in the majority (80%) of patients. We also presented complete efficacy and safety data from our Phase 2b Europa trial, positive trial results that were used as the basis for our Saturn-1 and 2 pivotal trial design.

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 in November 2016, 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 IPO (as defined below), and out-licensing arrangements. From inception through March 2021, we raised net proceeds of approximately $101.0 million through private placements of preferred stock.

On October 20, 2020, we completed our initial public offering ("IPO") through an underwritten sale of 6,325,000 shares of our common stock at a price of $16.00 per share, inclusive of an additional 825,000 common shares sold upon the full exercise of the underwriters’ purchase option. The aggregate net proceeds from the offering after deducting underwriting discounts and commissions and other offering expenses were $91.7 million. Concurrent with the IPO, all then-outstanding shares of our convertible preferred stock automatically converted into an aggregate of 11,107,018 issued shares of common stock. In advance of the IPO, on October 8, 2020, our board of directors approved a 1-for-7.4276 reverse stock split of our

capital stock. All share and per share information included in the accompanying financial statements has been adjusted to reflect this reverse stock split.

In March 2021, we executed an out-license of TP-03 for the China Territory (see *Note 9*). We expect to receive initial cash proceeds of $70.0 million from our licensee through March 31, 2022, assuming anticipated clinical milestones are achieved.

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 income (losses) were $10.4 million and $(2.0) million for the three months ended March 31, 2021 and 2020, 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 March 31, 2021 and December 31, 2020, we had an accumulated deficit of $22.5 million and $32.8 million, respectively, from research and development and general and administrative activities since our inception. We anticipate that our operating expenses will increase significantly as we:

- conduct clinical trials of our lead product candidate, TP-03, for the treatment of Demodex blepharitis including our Phase 2b/3 trial, Saturn-1, and our Phase 3 trial, Saturn-2;
- advance the clinical development of TP-03 for the 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 United States 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 have any products approved for sale and we have not yet generated any revenue from product sales. However, we recognized "license fee revenue" and "collaboration revenue" in the first quarter of 2021 from our China Out-License of an aggregate $33.4 million (see *Note 9*) and expect to recognize additional revenue under these captions from this arrangement in future periods.

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 predict 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.

As of March 31, 2021, our aggregate cash and cash equivalents was $156.2 million – see the section below titled “Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

Impact of the COVID-19 Pandemic on our Operations

Efforts to contain the spread of COVID-19 in the United States (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 carefully 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 to our clinical trial sites. We have also implemented an interim work-from-home 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. Specifically, for our Phase 2b/3 Saturn-1 trial and our Phase 3 Saturn-2 trial, we have instituted various protocols for our sites, including increasing health screening of individuals and providing enhanced communication and training to staff regarding COVID-19. We have also over-enrolled trial participants and identified additional clinical sites in case there are site closures due to COVID-19. However, 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, 2020, filed with the SEC on March 30, 2021, for a further discussion of the potential adverse impact of COVID-19 on our business, results of operations and financial condition.

Result of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

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

	Three Months Ended March 31,		
	2021	2020	Change
	(in thousands)		
Revenues:			
License fees and collaboration revenue	$ 33,432	$ —	$ 33,432
Total revenues	33,432	—	33,432
Operating expenses:			
Cost of license fees and collaboration revenue	1,297	—	1,297
Research and development	16,261	1,512	14,749
General and administrative	5,160	606	4,554
Total operating expenses	22,718	2,118	20,600
Income (loss) from operations before other (expense) income and income taxes	10,714	(2,118)	12,832
Other (expense) income:			
Interest income, net	9	161	(152)
Other income (expense), net	(34)	—	(34)
Total other (expense) income, net	(25)	161	(186)
Provision for income taxes	(313)	—	(313)
Net income (loss)	$ 10,376	$ (1,957)	$ 12,333

License Fees and Collaboration Revenue

License fees and collaboration revenue was $33.3 million and $0.1 million, respectively, for the three months ended March 31, 2021. These revenue amounts are attributable to the portion of China Out-License contractual milestones that are fully or partially complete by March 31, 2021 and respectively represent the satisfaction of the transfer of license rights to LianBio and the partial completion of clinical-related "performance obligations" in the contract.

We will recognize additional license fee and collaboration revenue as these performance obligations are further satisfied or other events occur, specifically related to (1) milestone payments upon TP-03 pivotal trial completion and the delivery of associated clinical data and reports to our licensee, (2) achievement of regulatory events that trigger milestone payments, and (3) our licensee has sales of TP-03 in the China Territory.

Cost of License Fees and Collaboration Revenue

Cost of license fees and collaboration revenue were $1.3 million for the three months ended March 31, 2021. Under the terms of the China Out-License, and our in-license agreement for lotilaner (see *Note 8(b)*), we recognized $1.3 million of associated expense in proportion to our recognized "license fee" and "collaboration revenue" in the same period.

Research and Development Expenses

Research and development expenses increased by $14.7 million for the three months ended March 31, 2021 as compared to the prior year period. The increase was primarily due to (i) payment to our licensor (in the form of issuance of 187,500 shares of our common stock) valued at $5.5 million in March 2021 (at our early-extension of exclusive rights to lotilaner in "all other" diseases and conditions in humans), (ii) clinical milestone expense of $2.0 million that became payable in March 2021 to our licensor (related to our second U.S. pivotal trial commencement in the treatment of Demodex blepharitis), (iii) increased clinical and preclinical study costs of $5.3 million, (iv) increased manufacturing and formulation costs of $0.7 million, and (v) increased payroll and personnel-related costs (including stock-based compensation) of $1.2 million for additional employees to drive our product development initiatives.

General and Administrative Expenses

General and administrative expenses increased by $4.6 million for the three months ended March 31, 2021. The increase was primarily due to (i) $2.1 million increase in payroll and personnel-related costs (including stock-based compensation) for employee additions, (ii) increased insurance and other administrative costs of $0.9 million, (iii) increased professional fees of $1.0 million, and (iv) increased commercial and market research costs of $0.6 million.

Other (Expense) Income, Net

The decrease in other (expense) income, net of $0.2 million was primarily due to lower interest income on our U.S. Treasury money market funds and removal of capitalized leasehold improvements for a terminated lease.

Provision for Income Taxes

We maintain a full "valuation allowance" against our net deferred tax assets as of March 31, 2021 and 2020 since we cannot conclude that these future benefits will be realized through the offset of our potential taxable income in the future. For the three months ended March 31, 2021, we recorded income tax expense of $0.3 million attributable to current federal and state income tax expense as a result of taxable income in those jurisdictions which cannot be fully offset by available net operating losses and credits. We used the year-to-date "effective tax rate method" to determine our interim income tax expense for federal and state jurisdictions where a reliable estimate of the annual effective tax rate could not be made. For the three months ended March 31, 2020, we did not record any income tax expense due to our incurred losses in that period.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception in 2016 through March 31, 2021, our operations have been substantially financed by cash proceeds from private placements of preferred stock and our IPO proceeds. As part of our IPO, we sold 6,325,000 shares of out common stock (inclusive of the full exercise of the underwriters’ purchase option). After deducting underwriting discounts and commissions and other related expenses, our IPO proceeds were $91.7 million.

We will continue to be dependent upon equity, debt financing, and/or other forms of capital raises at least until we are able to generate significant ongoing positive cash flows from our operations. As of March 31, 2021, we had cash and cash equivalents of $156.2 million. In April and May 2021, we received $25 million of proceeds from our licensee as part of the execution of our China Out-License (see *Note 9*). We expect to receive an additional $10 million by June 30, 2021 and an additional $35 million by March 31, 2022 (for $70 million in aggregate proceeds within 12 months following agreement execution).

We currently have no ongoing material financing commitments, such as lines of credit or guarantees.

Funding Requirements

Our primary use of cash is to fund operating expenditures. These consist of research and development expenses (including activities within our preclinical, clinical, regulatory, and drug manufacturing initiatives) and general and administrative expenses. Our use of cash is impacted by the timing and extent of the required payments for each of these activities.

We believe that our cash and cash equivalents of $156.2 million as of March 31, 2021 and the anticipated $70 million of initial proceeds from our China Out-License will enable us to fund our operating expenses and capital expenditure requirements into the first half of 2023. We have based this cash runway estimate on our current 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.

To date, we have not generated any product sales (separate from our reported "license fee and collaboration revenue" discussed above). 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 for 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 will 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;
- 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 Statement of Cash Flows

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

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (11,794)	$ (1,996)
Investing activities	(175)	(36)
Financing activities	19	(27)
Net increase in cash, cash equivalents and restricted cash	$ (11,950)	$ (2,059)

Net Cash Used in Operating Activities

Net cash used in operating activities was $11.8 million for the three months ended March 31, 2021. Though we recognized $33.4 million of license fee and collaboration revenue, no cash was received in the current period for the China Out-License transaction. In the current period, our cash payments to vendors for our operating activities totaled $9.2 million and payroll-related cash payments (inclusive of 2020 bonus payouts) totaled $2.7 million.

Net cash used in operating activities was $2.0 million for the three months ended March 31, 2020 and primarily represented our net loss of $2.0 million associated with our operating expenses in that period.

Net Cash Used in Investing Activities

Net cash used in investing activities was $0.2 million for the three months ended March 31, 2021, which consisted of purchases of property and equipment and leasehold improvements for our laboratory and administrative offices.

Net cash used in investing activities was $36 thousand for the three months ended March 31, 2020, which consisted of property and equipment purchases.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $19 thousand for the three months ended March 31, 2021 and was attributable to proceeds from exercises of stock options.

Net cash used financing activities was $27 thousand for the three months ended March 31, 2020 attributable to issuance costs of our Series B preferred stock.

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, 2020.

There were no material changes to our previously reported "critical accounting policies" during the three months ended March 31, 2021, except for:

Revenue Recognition for Out-Licenses and Collaborative Agreements

The terms of our out-licenses and collaborative agreements include upfront license fees, milestones, and other contingent payments for the achievement of defined development, regulatory and sales-based events, as well as royalties on sales of commercialized products. Arrangements that include upfront payments may require deferral of revenue recognition to a future period until we perform obligations under these arrangements. The event-based milestone and other contingent payments represent variable consideration, and we use the "most likely amount method" to estimate this variable consideration. Given the high degree of uncertainty around the occurrence of these events, we determine the milestone and other contingent amounts to be "constrained" until the uncertainty associated with these payments is resolved. We will recognize revenue from sales-based royalty payments when or as our licensee sales occur. We will re-evaluate our determined "transaction price" 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.

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.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business to the Company’s contractual obligations disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC.

Indemnification Agreements

As permitted under Delaware law and in accordance with our amended and restated 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 March 31, 2021.

JOBS Act Accounting Election

The Jumpstart Our Business Startups Act of 2012, as amended (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 March 31, 2021, we had cash and cash equivalents of $156.2 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.

We do not believe that inflation, interest rate changes, or foreign currency exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.

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 control 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, 2020, as filed with the SEC on March 31, 2021.

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

Use of Proceeds

There has been no material change in the planned use of proceeds from our IPO as described in the 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
3.1	Amended and Restated Certificate of Incorporation of Registrant.	8-K	001-39614	3.1	10/20/20	
3.2	Amended and Restated Bylaws of Registrant	8-K	001-39614	3.2	10/20/20	
4.2	Amended and Restated Investors' Rights Agreement, dated September 24, 2020, by and among the Registrant and the other parties thereto.	S-1/A	333-249076	4.2	10/9/20	
10.1†	Development and license Agreement, between the Registrant and LianBio Ophthalmology, dated as of March, 26, 2021.					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	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	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					X

† 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

TARSUS PHARMACEUTICALS, INC.

Date: May 11, 2021

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

TARSUS PHARMACEUTICALS, INC.

Date: May 11, 2021

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

DEVELOPMENT AND LICENSE AGREEMENT

This DEVELOPMENT AND LICENSE AGREEMENT (***"Agreement"***) effective as of March 26, 2021 (***"Effective Date"***), is entered into by and between Tarsus Pharmaceuticals, Inc. (***"Tarsus"***), a Delaware Corporation, with offices at 15440 Laguna Canyon Rd., Suite 160, Irvine, CA 92618, and LianBio Ophthalmology Limited, a Hong Kong entity (***"Lian"***), with offices at Room 1902, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Tarsus and Lian may each be referred to as a ***"Party"*** or together as the ***"Parties."***

RECITALS

WHEREAS, Tarsus owns or controls certain intellectual property assets, including, but not limited to, Patents, proprietary know-how, and scientific and technical information relating to the Compound (defined below);

WHEREAS, Lian possesses expertise and resources relating to the development, manufacture and commercialization of pharmaceutical products and wishes to obtain a license under Tarsus's Patents, proprietary know-how and scientific and technical information relating to the Compound to develop, manufacture and commercialize certain products for certain countries;

WHEREAS, Tarsus and Lian desire to enter into a collaboration for the development and commercialization of such products as set forth in this Agreement; and

WHEREAS, contemporaneously with the execution of this Agreement, the Parties have executed a separate Warrant Agreement of even date herewith ("***Warrant***") pursuant to which Lian shall issue the Warrant to Tarsus.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties and covenants contained herein, Tarsus and Lian, intending to be legally bound, hereby agree as follows:

AGREEMENT

1. **CERTAIN DEFINITIONS.** For purposes of this Agreement, the following capitalized terms, whether used in the singular or plural, shall have the following meanings:

1.1 "***Acquirer IP***" means all Know-How and Patents Controlled by an Acquiring Organization of Tarsus, except for: (a) Know-How and Patents that are included in the definitions of Licensed Know-How and Licensed Patents, respectively, immediately prior to the closing of the Acquisition of Tarsus; and (b) [***].

1.2 "***Acquiring Organization***" means the Acquiror (defined in Section 1.4) in an Acquisition (defined in Section 1.4), together with its Affiliates (other than the Target Entity and the Target Entity's Affiliates immediately prior to the closing of the Acquisition).

1.3 "***Acquiring Organization Competing Product Reduction***" has the meaning assigned thereto in Section 3.3.

1.4 "***Acquisition***" of an entity (a "***Target Entity***") means a transaction or series of related transactions pursuant to which an entity (an "***Acquiror***") directly or indirectly (a) obtains ownership of more than fifty percent (50%) of the voting securities of such Target Entity, or (b) succeeds to substantially all the assets and business of such Target Entity (whether via merger, sale of assets, or otherwise). Notwithstanding the foregoing, any transaction or series of related transactions effected for the primary purpose of financing the operations of the applicable entity (including the issuance or sale of securities for financing purposes, whether through a private placement or a registered offering), or changing the form or jurisdiction of organization of such entity will not be deemed an Acquisition.

1.5 "***Action***" means any claim, action, cause of action or suit (whether in contract or tort or otherwise), litigation (whether at law or in equity, whether civil or criminal), assessment, arbitration, investigation, hearing, charge, complaint, demand, notice or proceeding of, to, from, by or before any Governmental Authority.

1.6 "***Adverse Event***" means any untoward medical occurrence associated with the use of a drug in humans, whether or not considered drug related.

1.7 "***Affiliate***" means, with respect to a Party, any Person that controls, is controlled by, or is under common control with that Party, but only for so long as such control exists. For the purpose of this definition, "control" means, direct or indirect, ownership of more than fifty percent (50%) of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or more than fifty percent (50%) of the equity interest in the case of any other type of legal entity, status as a general partner in any partnership, or any other arrangement whereby the entity or person controls or has the right to control the board of directors or equivalent governing body of a corporation or other entity, or the ability to cause the direction of the management or policies of a corporation or other entity. In the case of entities organized under the laws of certain countries, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%), and in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity.

1.8 "***Aggregate Annual Net Sales***" for a Calendar Year means the aggregate Net Sales of all of Lian, Lian Affiliates, and Sublicensees for all Licensed Products in all Regions within the Territory in such Calendar Year.

1.9 "***Anti-Corruption Laws***" means the United States Foreign Corrupt Practices Act and any other applicable anti-corruption or anti-bribery Laws, in each case as amended.

1.10 [***]

1.11 "***Business Day***" means any day other than (a) Saturday or Sunday or (b) any other day on which banks in New York, New York, United States are permitted or required to be closed.

1.12 "***Calendar Quarter***" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.13 "***Calendar Year***" means a period of twelve (12) consecutive calendar months ending on December 31.

1.14 "***Claim***" means any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

1.15 "***Clinical Supply Agreement***" has the meaning assigned thereto in Section 7.1.

1.16 "***Clinical Trial***" means a Phase I Clinical Trial, Phase II Clinical Trial or Phase III Clinical Trial, or any post-approval or other human clinical trial, as applicable.

1.17 "***CMO***" or "Contract Manufacturing Organization" means a Third Party with which a Party has contracted to conduct manufacturing (including process development and scale-up) of the Licensed Products on behalf of such Party.

1.18 "***Combination Product***" means a Licensed Product(s) and Other Product(s) sold in combination for a single price, in the same package, including as a co-formulation, or under the same label.

1.19 "***Commercial Milestone Event***" has the meaning assigned thereto in Section 9.4.1.

1.20 "***Commercial Milestone Payment***" has the meaning assigned thereto in Section 9.4.1.

1.21 "***Commercial Supply Agreement***" has the meaning assigned thereto in Section 7.1.

1.22 "***Commercialization***," "***Commercialize***" or "***Commercializing***" means engaging in any and all activities directed to pre-marketing, launching, marketing, promoting (including advertising and detailing), labeling, bidding and listing, distributing, offering for sale, selling, importing, having imported, exporting, having exported, providing customer service and support, post-marketing safety surveillance and reporting of a product, or other commercialization of a product, but not including Development or manufacturing activities.

1.23 "***Commercialization Plan***" has the meaning assigned thereto in Section 6.1.

1.24 "***Commercially Reasonable Efforts***" means [***].

1.25 "***Commercially Selling***" and its derivatives (e.g., "***Commercially Sells***"), in a Region means that a Party is selling a Licensed Product in such Region after receipt of Regulatory Approval for such Licensed Product in such Region.

1.26 "***Competing Product***" means any compound or product directed to the Field.

1.27 "***Completion Date***" has the meaning assigned thereto in Section 5.2.

1.28 "***Compound***" means Lotilaner.

1.29 "***Confidential Information***" has the meaning assigned thereto in Section 10.1.

1.30 "***Control***" or "***Controlled***" means, when used in reference to Know-How, Patents, or other Intellectual Property Rights, the legal authority or right (whether by ownership or license, other than a license granted pursuant to this Agreement) or the ability of a Person (or any of its Affiliates) to grant a license or sublicense of such Know-How, Patents, or other Intellectual Property Rights to the other Party as provided for herein without violating or breaching the terms of any agreement

with any Third Party. Notwithstanding the foregoing, if, after the Effective Date, a Party or its Affiliates obtains the right to grant a license or sublicense with respect to any Patents, Know-How or other Intellectual Property Rights to the other Party as provided for herein only upon payment of compensation (including, milestones or royalties) to a Third Party that would not have been payable had a license or sublicense not been granted or exercised under this Agreement ("Third Party Compensation"), then the first Party or its Affiliates will be deemed to have "Control" of the relevant Patents, Know-How or other Intellectual Property Rights, only if the other Party agrees to bear the cost of such Third Party Compensation (subject to any permitted reductions under Section 9.6.3.) The granting Party will promptly notify the other Party after becoming aware that any such license or sublicense could require the payment of any Third Party Compensation.

1.31 "***Cover***" or "***Covering***" means, as to a particular subject matter at issue and relevant Patent or individual claim in such Patent, that, in the absence of a license granted under, or ownership of, such Patent, the making (including methods of making), using (including methods of use, such as methods of treatment), selling, offering for sale or importation of such subject matter would infringe such Patent or the individual claim of such Patent or, as to a pending claim included in such Patent, the making, using, selling, offering for sale or importation of such subject matter would infringe such Patent if such pending claim were to issue in an issued Patent without modification.

1.32 "***Development***", "***Develop***" or "***Developing***" means engaging in non-clinical, preclinical or clinical drug development activities, including test method development, stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, analytical method validation, manufacturing process validation, cleaning validation, post-approval changes, life cycle management, quality assurance/quality control, statistical analysis, report writing, preclinical and clinical studies, regulatory filing submission and approval and regulatory affairs.

1.33 "***Development Activities***" means activities for the Development of Licensed Products in the Field and in the Territory.

1.34 ***"Development Milestone Event"*** has the meaning assigned thereto in Section 9.4.1.

1.35 "***Development Milestone Payment***" has the meaning assigned thereto in Section 9.4.1.

1.36 "***Development Plan***" means the comprehensive plan for the Development of Licensed Products for the purpose of obtaining Regulatory Approval for the Licensed Products in the Field in the Territory.

1.37 "***Diligence Negotiation Failure Date***" has the meaning assigned thereto in Section 3.2.

1.38 "***Disclosing Party***" has the meaning assigned thereto in Section 10.1.

1.39 "***Elanco***" means Elanco Tiergesundheit AG, a Swiss corporation.

1.40 "***Elanco Agreement***" means the License Agreement by and between Elanco and Tarsus, dated as of January 31, 2019 and amended as of September 3, 2020 and as further amended from time to time.

1.41 "***Elanco Patents***" means the Patents licensed to Tarsus under the Elanco Agreement.

1.42 "***Eligible Global Study***" means a Clinical Trial of a Licensed Product in the Field that is primarily intended to support the Development or Regulatory Approval of any Compound or Licensed Product inside and outside the Territory. For clarity, neither Saturn-1 nor Saturn-2 are an Eligible Global Study.

1.43 "***Estimated Quarterly Net Sales***" has the meaning assigned thereto in Section 9.7.

1.44 "***Export Control Laws***" means all applicable Laws relating to (a) sanctions and embargoes imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury or (b) the export or re-export of commodities, technologies or services, including the Export Administration Act of 1979, 24 U.S.C. §§ 2401-2420, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-1706, the Trading with the Enemy Act, 50 U.S.C. §§ 1 et. seq., the Arms Export Control Act, 22 U.S.C. §§ 2778 and 2779, and the International Boycott Provisions of Section 999 of the U.S. Internal Revenue Code of 1986, in each case, as amended.

1.45 "***FDA***" means the United States Food and Drug Administration and any successor agency thereto.

1.46 "***FDCA***" means the Federal Food, Drug and Cosmetics Act, as amended from time to time, and the rules, regulations and guidelines promulgated thereunder.

1.47 "***Field***" means the treatment of Demodex Blepharitis and, unless excluded in accordance with Section 2.2, Meibomian Gland Disease, in each case, in humans.

1.48 "***First Commercial Sale***" means the first transfer of commercial quantities of any Licensed Product for value to a Third Party by Lian or any of its Affiliates or any Sublicensees after receipt of Regulatory Approval.

1.49 "***Force Majeure Event***" has the meaning assigned thereto in Section 17.6.

1.50 "***Fully Burdened Manufacturing Cost***" means, with respect to any Licensed Product (or the Compound contained therein) supplied by or on behalf of Tarsus to Lian:

(a) to the extent such Licensed Product (or the Compound contained therein) (or any precursor or intermediate thereof) is manufactured by a CMO, the actual price charged to Tarsus for such CMO manufacturing and, to the extent applicable (and not the financial responsibility of Lian pursuant to the applicable delivery terms), delivering such Licensed Product, including the costs of raw materials, intermediates and components, reference materials or standards required for release testing, materials necessary to support stability studies (including methods, reference materials and consumables), drug substance and drug product manufacturing, quality assurance and stability testing, characterization testing, quality control, release testing of drug substance and drug product, quality assurance, batch record review and release of product, and storage; or

(b) to the extent such Licensed Product (or the Compound contained therein) (or any precursor or intermediate thereof) is manufactured by Tarsus or its Affiliate, the actual, fully burdened cost of such manufacturing, including the cost of raw materials, direct labor and benefits, and all other reasonable and customary manufacturing-related costs specifically identifiable to the manufacture of such Licensed Product (or the Compound contained therein), but excluding the costs of idle plant capacity reserved specifically for such Licensed Product (or the Compound contained therein) based on anticipated product volumes, failed lots, actual product inventory write-offs, factory, plant or equipment start-up or start-up amortization costs, scale-up expenses, and freight in/out and sales and excise taxes imposed thereon, customs and duty and charges levied by government authorities, and all costs of packaging. Such fully burdened costs will be calculated in accordance with the Accounting Standards.

1.51 "***Generic Product***" means a product containing the Compound.

1.52 "***Good Manufacturing Practices***" means, with respect to the United States, the minimum then-current good manufacturing practices for methods, facilities and controls to be used for the manufacture, processing, packing or holding of a drug to assure that it meets the requirements of the FDCA for safety and has the identity and strength and meets the quality and purity characteristics, specified in 21 C.F.R. Parts 210 and 211, as may be amended, and, with respect to any other country or jurisdiction, the equivalent regulations in such other country or jurisdiction.

1.53 "***Governmental Authority***" means any court, tribunal, arbitrator, agency, legislative body, commission, official or other instrumentality of (a) any government of any country or jurisdiction, (b) a federal, state, province, county, city or other political subdivision thereof or (c) any supranational body, including the FDA and the NMPA.

1.54 [***]

1.55 "***Indication Decision Date***" means the date that is [***] days after the date Tarsus first provides Lian with the final clinical study report from a Phase II Clinical Trial for a Licensed Product for Meibomian Gland Disease.

1.56 "***Infringement Claim***" has the meaning assigned thereto in Section 14.2.3.

1.57 "***Intellectual Property Rights***" means any and all Patents, copyrights, trade secrets, sui generis database rights, Know-How, and all other intellectual and industrial property rights of any sort throughout the world (including any application therefor) whether now known or hereafter existing.

1.58 "***Inventions***" has the meaning assigned thereto in Section 2.7.

1.59 "***Joint Steering Committee***" or "***JSC***" has the meaning assigned thereto in Section 4.1.

1.60 "***Know-How***" means any proprietary know-how, data, and information, including 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.

1.61 "***knowledge***" of a Party means the actual knowledge of the executive officers of such Party following due inquiry of the direct reports of such executive officers, but without requiring any other investigation (including any freedom to operate search).

1.62 "***Laws***" means all laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any Governmental Authority.

1.63 "***Lian***" has the meaning assigned thereto in the Preamble.

1.64 "***Lian Affiliate***" means an Affiliate of Lian. For clarity and example, "Lian and Lian Affiliates" has the same meaning as "Lian and its Affiliates" and "Lian or Lian Affiliates" has the same meaning as "Lian or its Affiliates."

1.65 "***Lian Obligation***" has the meaning set forth in Section 17.1.

1.66 "***LianBio***" means LianBio, an exempted company organized and existing under the laws of Cayman Islands.

1.67 "***Lian Ophthalmology***" means LianBio Ophthalmology, an exempted company organized under the laws of the Cayman Islands.

1.68 "***License***" shall have the meaning assigned thereto in Section 2.1.1.

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

1.70 "***Licensed Know-How***" means all Know-How Controlled by Tarsus or any of its Affiliates as of the Effective Date or during the Term that is necessary or reasonably useful for the Development, Manufacture, or Commercialization of the Licensed Product. Notwithstanding the foregoing, Licensed Know-How excludes: (a) all Know-How that relates to any active therapeutic ingredient (or product containing such active therapeutic ingredient) other than the Compound and does not relate to the Compound; and (b) all Know-How within the Acquirer IP.

1.71 "***Licensed Patents***" means all Patents that: (a) Cover any Licensed Know-How, or (b) are otherwise necessary to make, use, sell, offer to sell, or import any Licensed Product, in each case of (a) or (b), that are Controlled by Tarsus or any of its Affiliates as of the Effective Date or during the Term. Notwithstanding the foregoing, Licensed Patents exclude: (i) all Patents that both: (A) Cover any active therapeutic ingredient (or product containing such active therapeutic ingredient) other than the Compound or any use thereof; and (B) do not Cover the Compound or any use thereof; and (ii) all Patents within the Acquirer IP. The Licensed Patents existing as of the Effective Date are set forth on Schedule 1.71 attached hereto.

1.72 "***Licensed Products***" means any eyedrop product containing the Compound, including as part of any combination.

1.73 "***Manufacturing Technology***" means, with respect to a Licensed Product, all Licensed Know-How necessary to manufacture such Licensed Product.

1.74 "***Manufacturing Transfer Commencement***" has the meaning assigned thereto in Section 7.3.1.

1.75 "***Materially Failed to Supply Licensed Products***" means, on at least two separate occasions in a given Calendar Year, Tarsus has failed to supply or cause to be supplied to Lian (other than as caused by a Force Majeure Event) those quantities of Licensed Product forecasted and ordered in accordance with the terms of the applicable Supply Agreement, and the cumulative shortfall of Licensed Product for such Calendar Year attributable to such failures is at least [***] of the aggregate amount so forecast to (or, if greater, ordered from) Tarsus for delivery in such Calendar Year. For all purposes of this definition, Licensed Product delivered within [***] days of the applicable delivery date shall not be deemed Licensed Product that Tarsus has failed to supply or cause to be supplied.

1.76 "***NDA***" means a new drug application submitted to the FDA for purposes of obtaining Regulatory Approval for a new drug in the United States or any foreign equivalent filed with the applicable Regulatory Authority in other countries or regulatory jurisdictions in the Territory, as applicable.

1.77 "***Net Sales***" means, with respect to a Licensed Product and a Region, the gross amount invoiced by Lian or its Affiliates or any Sublicensee to unrelated Third Parties, for the sale of such Licensed Product in the Territory during the Royalty Term in the Region of sale, less the following items applied consistent with U.S. Generally Accepted Accounting Principles (collectively, "***Permitted Deductions***"):

(i) Trade, quantity and cash discounts allowed;

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

(iii) Licensed Product returns and allowances;

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

(v) Any tax imposed on the production, sale, delivery or use of the Licensed Product, including sales, use, excise or value added taxes;

(vi) Wholesaler inventory management fees;

(vii) Allowance for distribution expenses; and

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

With respect to Combination Products, if Licensed Products are sold in the form of Combination Products containing one or more Other Products, then Net Sales for the Combination Product will be calculated by multiplying actual Net Sales of such Combination Product by the fraction A/(A+B) where A is the invoice price of a Licensed Product as the only active therapeutic ingredient if sold separately, and B is the total invoice price of any Other Products in such Combination Product, as the only active therapeutic ingredient if sold separately. If the Other Products in the Combination Product are not sold separately, Net Sales for the purpose of determining royalties of the Combination Product shall be calculated by

multiplying actual Net Sales of such Combination Product by the fraction A/C where A is the invoice price of the Licensed Product as the only active therapeutic ingredient, if sold separately, and C is the invoice price of the Combination Product. If neither such Licensed Product nor the other active therapeutic ingredient(s) of the Combination Product is sold separately, Net Sales for the purposes of determining royalties of the Combination Product shall be determined by the Parties in good faith based on the relative value of the Licensed Product and the additional active therapeutic ingredients that are included in the Combination Product (an "***Unprecedented Combination Product***"). Neither Lian, its Affiliates nor any Sublicensees shall sell any Unprecedented Combination Product until the Parties have made the determination required by the previous sentence.

The amounts of Net Sales shall be determined from the books and records of Lian or its Affiliates or any Sublicensee maintained in accordance with U.S. Generally Accepted Accounting Principles consistently applied. Lian further agrees in determining such amounts, it will use Lian's then current standard procedures and methodology, including Lian'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 Lian, its Affiliates and any Sublicensees for re-sale shall be excluded from the computation of Net Sales, but subsequent sales by Lian or its Affiliates or any Sublicensee to Third Parties shall be included in the computation of Net Sales.

1.78 "***NMPA***" means the National Medical Product Administration, formerly known as the China Food and Drug Administration, and any successor agency thereto.

1.79 "***Other Product***" means a product containing or comprising an active therapeutic ingredient other than the Compound, consisting of a separate and distinct molecular entity having a clearly defined therapeutic activity other than as an adjuvant, bio-availability enhancer, formulation excipient, stabilizer, antioxidant, device, carrier or the like.

1.80 "***Party***" or "***Parties***" has the meaning assigned thereto in the first paragraph of this Agreement.

1.81 "***Patents***" means: (a) all original (priority establishing) patent applications claiming one or more inventions filed anywhere in the world, including provisionals and nonprovisionals; and (b) any patent or patent application that claims, or is entitled to claim, direct or indirect priority to the patent applications described in clause (a), including any continuations, continuations-in-part, divisions, or substitute applications, any patents issued or granted from any such patent applications, and any reissues, reexaminations, renewals or extensions (including by virtue of any supplementary protection certificates) of any such patents, and any confirmation patents or registration patents or patents of addition based on any such patents, and all foreign counterparts or equivalents of any of the foregoing.

1.82 "***Person***" means any natural person, corporation, general partnership, limited partnership, limited liability company, joint venture, proprietorship or other de jure entity organized under the Laws of any jurisdiction.

1.83 "***Phase I Clinical Trial***" means a human clinical trial, the principal purpose of which is preliminary determination of safety of a Licensed Product in healthy individuals or patients or that otherwise meets the requirements described in 21 C.F.R. §312.21(a), or similar clinical study in a country other than the United States.

1.84 "***Phase II Clinical Trial***" means a human clinical trial, for which the primary endpoints include a determination of dose ranges or a preliminary determination of efficacy of a Licensed Product in patients being studied or that otherwise meets the requirements described in 21 C.F.R. §312.21(b), or similar clinical study in a country other than the United States.

1.85 "***Phase III Clinical Trial***" means a human clinical trial, the principal purpose of which is to demonstrate clinically and statistically the efficacy and safety of a Licensed Product for one or more indications in order to obtain Regulatory Approval of such Licensed Product for such indication(s) or that otherwise meets the requirements described in 21 C.F.R. §312.21(c) or a similar clinical study in a country other than the United States.

1.86 "***Post-Acquisition Clinical Product***" means a Licensed Product that is the focus of a Phase II Clinical Trial or Phase III Clinical Trial in the Field after the closing of an Acquisition of Tarsus, and conducted by Tarsus, its Affiliates, or their licensee.

1.87 "***Product Materials***" has the meaning assigned thereto in Section 16.7.2.

1.88 "***Prosecution***" or "***Prosecute***" means, with respect to a particular Patent, all activities associated with the preparation, filing, defense, prosecution and maintenance of such Patent, as well as supplemental examinations, re-examinations, reissues, applications for patent term adjustments and extensions, supplementary protection certificates and the like with respect to that Patent, together with the conduct of interferences, derivation proceedings, inter partes review, post-grant review, the defense of oppositions and other similar proceedings with respect to that Patent.

1.89 "***Public Official or Entity***" means (a) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), agent, representative, department, agency, de facto official, representative, corporate entity, instrumentality, or subdivision of any government, military, or international organization, including any ministry or department of health or any state-owned or affiliated company or hospital, or (b) any candidate for political office, any political party, or any official of a political party.

1.90 "***Regulatory Approval***" means in a particular country or jurisdiction 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 or jurisdiction.

1.91 "***Regulatory Authority***" means a federal, national, multinational or other regulatory agency or governmental entity involved in the granting of Regulatory Approval for a pharmaceutical product in a country or jurisdiction (e.g., the FDA and the NMPA).

1.92 "***Regulatory Exclusivity***" means, with respect to a Licensed Product, any exclusive marketing rights or data exclusivity rights conferred by any Regulatory Authority with respect to such Licensed Product, other than Patent Rights, that prohibits a Third Party from (a) relying on data generated by or on behalf of the Parties with respect to such Licensed Product in an application for Regulatory Approval, or (b) commercializing a Generic Product of such Licensed Product (for example, any Data Exclusivity rules released by the NMPA).

1.93 "***Regulatory Filings***" means any written application, submission, notice or other filing made to an applicable Regulatory Authority in the Territory: (a) seeking approval for the

commercial manufacture, use, storage, import, export, transport, distribution, marketing or sale of a Licensed Product, including any Regulatory Approval; or (b) that is required to be filed with the applicable Regulatory Authority before beginning clinical testing of a Licensed Product in human subjects, including any successor application or procedure, non-U.S. equivalents to any of the foregoing and all supplements and amendments that may be filed with respect to any of the foregoing; such as NDA, sNDA and any equivalent thereof in the United States or any other country or jurisdiction in the world.

1.94 "***Region***" has the meaning assigned thereto in Section 1.108.

1.95 "***Residual Knowledge***" has the meaning assigned thereto in Section 10.5.

1.96 "***Royalty Term***" has the meaning assigned thereto in Section 9.6.2.

1.97 "***Saturn-1***" means a Tarsus United States randomized, controlled, multicenter, double-masked, parallel pivotal Clinical Trial, currently in progress, to compare the safety and efficacy of a Licensed Product to vehicle control for the treatment of Demodex Blepharitis, registered at clinicaltrials.gov as "Safety and Efficacy of TP-03 for the Treatment of Demodex Blepharitis (Saturn-1)" (https://clinicaltrials.gov/ct2/show/NCT04475432).

1.98 "***Saturn-2***" means a Tarsus United States randomized, controlled, multicenter, double-masked, parallel pivotal Clinical Trial, other than Saturn-1, to compare the safety and efficacy of a Licensed Product to vehicle control for the treatment of Demodex Blepharitis.

1.99 "***Second Payment***" has the meaning assigned thereto in Section 9.2.

1.100 "***Senior Officers***" means the CEO of Tarsus and the CEO of Lian.

1.101 "***Sublicensee***" means a Third Party sublicensee to whom Lian or its Affiliates grants rights under this Agreement or any subsequent sublicensee through multiple-tiers.

1.102 "***Supply Agreement***" means either a Clinical Supply Agreement or a Commercial Supply Agreement, each shall have the meaning assigned thereto in Section 7.1.

1.103 "***Tarsus***" has the meaning assigned thereto in the Preamble.

1.104 "***Tarsus Development Plan***" has the meaning assigned thereto in Section 5.4.

1.105 "***Tarsus Global Licensed Product Trademark***" has the meaning assigned thereto in Section 2.8.

1.106 "***Taxes***" has the meaning assigned thereto in Section 9.9.1.

1.107 "***Term***" has the meaning assigned thereto in Section 16.1.

1.108 "***Territory***" means the People's Republic of China ("***PRC***"), Hong Kong, Macau, and Taiwan (each a "***Region***" within the Territory).

1.109 "***Third Party***" means a Person who is not a Party or an Affiliate of a Party.

1.110 "***Third Party Compensation***" has the meaning assigned thereto in Section 1.30.

1.111 "***Transition Period***" has the meaning assigned thereto in Section 7.3.1.

1.112 "***Two-Invoice Policy***" means the policy described in "the Opinion on the Implementation of the 'Two-Invoices' System in the Procurement of Pharmaceutical Products by Public Medical Institutions (trial)" (Guoyigaibanfa [2016] No. 4), officially released on 9 January 2017 and in any other applicable Laws that mandates public hospitals or any other purchaser of drugs in mainland China to purchase drugs from the distributor that purchases the drugs directly from the drug manufacturer, limiting the total number of invoices to two.

1.113 "***United States***" means the United States of America and its territories and possessions.

1.114 "***Upfront Payment***" has the meaning assigned thereto in Section 9.1.

1.115 "***Valid Claim***" means a claim of: (a) of any issued, unexpired patent within the Licensed Patents that has not been revoked or held unenforceable or invalid by a decision of a court or Governmental Authority of competent jurisdiction from which no appeal can be taken, or with respect to which an appeal is not taken within the time allowed for appeal, and that has not been disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or (b) of any patent application within the Licensed Patents that has not been cancelled, withdrawn or abandoned, without being re-filed in another application in the applicable jurisdiction or has not been pending or filed more than [***] years from the earliest possible priority date for said application, provided that if such claim is later issued, it will from the issuance date forward, be deemed to be a Valid Claim, subject to clause (a) of this Section 1.115.

2. LICENSE GRANTS, OWNERSHIP.

2.1 License Grant.

2.1.1 Subject to the terms and conditions of this Agreement, Tarsus grants to Lian (a) an exclusive license under the Licensed Know-How and, and to the extent held in the Territory, the Licensed Patents, to Develop, Commercialize, make (in accordance with Article 7), have made (in accordance with Article 7), use, offer for sale, sell and import Licensed Products in the Field and in the Territory only for sale and use in the Field and in the Territory; and (b) a non-exclusive license, under the Licensed IP, to make (in accordance with Article 7) and have made (in accordance with Article 7), but not to Commercialize, the Licensed Products outside the Territory for exploitation in the Field and in the Territory ((a) and (b), collectively, the "***License***"). The License shall be non-transferable (except as expressly set forth in Section 17.10). Lian shall not (and shall not permit its Affiliates or any Sublicensees to) Develop or Commercialize Licensed Products outside the Field or outside the Territory.

2.1.2 The exclusivity granted under the License under Licensed Know-How in Section 2.1.1(a) means only that: [***].

2.1.3 For clarity: (a) if Licensed Know-How relates to both the Compound and any other active therapeutic ingredient, then the License granted to Lian with respect to the Licensed Know-How excludes any right with respect to any other active therapeutic ingredient; and (b) if any Licensed Patent Covers both the Compound (or any use thereof) and any other active therapeutic

ingredient (or any use thereof), then the License granted to Lian with respect to such Licensed Patent excludes any right with respect to such other active therapeutic ingredient (or any use thereof).

2.2 Field. Lian may, in its sole discretion, exclude Meibomian Gland Disease from the Field by notifying Tarsus of such exclusion prior to the Indication Decision Date ("***Exclusion Indication Notice***"). For clarity, Lian cannot exclude Meibomian Gland Disease from the Field after the Indication Decision Date. If Lian provides the Exclusion Indication Notice prior to the Indication Decision Date, then for all purposes of this Agreement, (including the License and the definition of Competing Product), the Field shall exclude the treatment of Meibomian Gland Disease. This exclusion shall be permanent and apply on a prospective basis after Tarsus's receipt of the corresponding Exclusion Indication Notice.

2.3 Sublicenses. Lian shall have the right to grant sublicenses of the rights granted to Lian under the License to its Affiliates or Third Parties without consent of Tarsus; provided that (a) each such sublicense is subordinate to and consistent with the terms and conditions of this Agreement, and (b) each Sublicensee agrees to be bound by all terms of this Agreement applicable to such Sublicensee in the same manner as Lian is bound (including, to the extent applicable, Sections 2.3, 2.5, 2.6, 2.7, 3.1, 4.3, 5.2, 5.6, 7.1 (the last sentence), 9.10, 13.1, 14.2.1, and 14.2.5, and Articles 6, 8, 10, and 15). Lian shall remain responsible for its Affiliates' and each Sublicensee's compliance with all obligations under this Agreement applicable to such Affiliates or Sublicensees. Upon the termination of this Agreement, at the written request of any Sublicensee who is not then in breach of its sublicense agreement, Tarsus will discuss in good faith with such Sublicensee whether to enter into a direct license agreement with such Sublicensee. No grant of any sublicense to a Third Party or any Lian Affiliate shall relieve Lian of its obligations hereunder.

2.4 Transfer of Licensed Know-How. Promptly following the Effective Date, Tarsus shall provide to Lian copies of all material Licensed Know-How (other than Manufacturing Technology), including documentation and reports within the Licensed Know-How from Clinical Trials and preclinical studies for the Licensed Product that have been obtained by Tarsus, and any other Licensed Know-How reasonably requested by Lian. Upon Lian's request (no more than once in any [***] period), Tarsus shall provide to Lian the Licensed Know-How (other than Manufacturing Technology) reasonably requested by Lian that has not previously been provided to Lian hereunder.

2.5 Approval of Licensed Product. Lian shall not Develop, Commercialize, make, have made, use, offer for sale, sell, market, promote or import any Licensed Product (including, any combination thereof) other than those Licensed Products (including, any combination thereof) approved by Tarsus in writing, such approval not to be unreasonably withheld. For clarity, the foregoing restriction on Lian and approval rights of Tarsus apply to the Develop, Commercialize, making, having made, use, offering to sell, selling, marketing, promoting and importing of any combination of a Licensed Product and any other product. Without limiting the reasons that Tarsus may withhold approval, if Lian proposes to Develop, Commercialize, make, have made, use, offer to sell, sell, market, promote, or import a Licensed Product as (or as part of) such combination, then it will be deemed reasonable for Tarsus to withhold its approval of such Licensed Product or combination thereof if: (a) Tarsus uses reasonable efforts to negotiate with Elanco to add customary allocations for combination products in the definition of net sales in the Elanco Agreement with respect to such Licensed Product or combination thereof; (b) Elanco does not agreed to such additions; and (c) Lian does not agree to waive the application of the customary allocations for Combination Products in the definition of Net Sales for such Licensed Product or combination thereof.

2.6 Elanco Agreement. The License shall be subject to the terms under the Elanco Agreement set forth on Schedule 2.6; provided that Tarsus shall be responsible for any and all amounts payable to Elanco under the Elanco Agreement resulting from the execution of, and activities of Lian in the Field and in the Territory under, this Agreement or any Supply Agreement.

2.7 Inventions. Ownership of intellectual property first discovered, or invented through the activities of one or more Parties in the performance of activities (including, all Development and manufacturing of the Licensed Product conducted by or for Lian, its Affiliates or any Sublicensees) under this Agreement ("***Inventions***") will follow inventorship as determined in accordance with United States patent laws for determining inventorship, irrespective of whether such intellectual property is patentable or incorporated into a patent application. Lian and its Affiliates hereby grants to Tarsus a non-exclusive, sublicenseable (through multiple tiers), royalty-free, fully paid-up, transferable, perpetual license, under any Inventions (and all Intellectual Property Rights therein) created by or on behalf of Lian, its Affiliates, or any Sublicensees, to Develop, manufacture, or Commercialize the Compound or any product containing the Compound; provided, however, that such license does not include the right to, sell and have sold Licensed Products in the Territory until after the effective date of termination or expiration of this Agreement. Lian shall not (and shall ensure that neither its Affiliates nor any Sublicensees) license any Invention to any Third Party with respect to any Competing Product.

2.8 Trademark. Lian may brand the Licensed Products in the Territory using a trade name that Tarsus selects to brand the Licensed Products outside of the Territory (the "***Tarsus Global Licensed Product Trademark***"). If Lian elects to market the Licensed Products within the Territory under a separate brand name than the Tarsus Global Licensed Product Trademark (including a localized version of the Tarsus Global Licensed Product Trademark), then Lian shall provide such alternative brand name for the Licensed Products within the Territory to the JSC for review and approval.

2.9 No Implied Rights; Retained Rights. Nothing contained in this Agreement confers or will be construed to confer any rights by implication, estoppel or otherwise under any Intellectual Property Rights, other than the rights expressly granted in this Agreement. All rights not expressly granted by a Party under this Agreement are reserved to such Party. Notwithstanding anything to the contrary set forth in this Agreement, Lian's License under (and any exclusivity with respect to) Licensed Know-How shall not in any way restrict Tarsus and its Affiliates from (a) using, disclosing to any Third Party, or granting any Third Party the right to use Licensed Know-How for any purpose other than to Develop, Commercialize, make, have made, use, offer for sale, sell and import the Licensed Products in the Field and in the Territory for sale and use in the Field and in the Territory, or (b) performing Tarsus's obligations or exercising Tarsus's rights under this Agreement.

3. EXCLUSIVITY.

3.1 Exclusivity. During the Term, except for the Compound and Licensed Products being Developed, manufactured, or Commercialized by Lian, Lian Affiliates, and Sublicensees, neither Tarsus or its Affiliates, nor Lian or its Affiliates will (by itself or with or through an Affiliate or a Third Party, directly or indirectly) Develop, make, have made, use, sell, offer for sale, import, or Commercialize in the Territory any Competing Product. For all purposes of this Section 3.1, Affiliates of a Party shall not be deemed to include (and the foregoing shall not restrict) an Acquiring Organization after an Acquisition of such Party. The foregoing does not restrict Tarsus, or any of its Affiliates, or any of its or their sublicensees from making (or having made) a Licensed Product in the Territory solely for use outside the Territory.

3.2 Acquisition of Lian. Tarsus may terminate this Agreement immediately upon notice to Lian at any time after (i) an Acquisition of Lian Ophthalmology or Lian that includes the assets relating to this Agreement (including an Acquisition of LianBio), or (ii) the sale of all or substantially all the assets relating to this Agreement in a transaction or series of related transactions, if both:

[***].

3.3 Acquisition of Tarsus. After (a) an Acquisition of Tarsus, or (b) the sale of all or substantially all the assets of Tarsus relating to this Agreement in a transaction or series of related transactions, in either case ((a) or (b)), Lian may reduce its obligation to pay Tarsus future royalties on Net Sales of Licensed Products in the Territory to the amount of the royalty Tarsus must pay Elanco under the Elanco Agreement for such Net Sales (if any) if the Acquiring Organization of Tarsus under sub-clause (a), or the purchaser of the applicable assets under sub-clause (b), at any time after [***] days following the closing of such transaction Commercially Sells a Competing Product for the treatment of Demodex Blepharitis in the Territory (an "***Acquiring Organization Competing Product Reduction***" for the Territory). The foregoing Acquiring Organization Competing Product Reduction shall only apply with respect to Calendar Quarters in which the Acquiring Organization of Tarsus under sub-clause (a) or the purchaser of the applicable assets under sub-clause (b) Commercially Sells a Competing Product in the Territory. For clarity, Lian may not reduce any royalties in any Calendar Quarter in which the Acquiring Organization does not Commercially Sell a Competing Product in the Territory. Additionally, Net Sales in each Calendar Quarter for which an Acquiring Organization Competing Product Reduction applies shall not be counted for the purposes of determining whether Lian must pay Tarsus further Commercial Milestone Payments (defined in Section 9.4.1). However, if Lian makes an Acquiring Organization Competing Product Reduction in the Territory, then, for each Calendar Year in which (i) Lian does not pay Tarsus a Commercial Milestone Payment, (ii) Tarsus is required under the Elanco Agreement to pay Elanco a milestone payment based on Net Sales of products in a Calendar Year, and (iii) Tarsus would not have been required to pay such milestone payment in such Calendar Year if not for the sales of Licensed Products by Lian, Lian Affiliates, and Sublicensees in the Territory in such Calendar Year, Lian shall pay Tarsus an amount equal to the product of such milestone payment to Elanco multiplied by the fraction A/B, where "A" is the Net Sales of Lian, Lian Affiliates, and Sublicensees of Licensed Products in the Territory in such Calendar Year, and "B" is the total worldwide net sales of products counted towards such milestone payment to Elanco in such Calendar Year.

4. JOINT STEERING COMMITTEE.

4.1 General. Within [***] days after the Effective Date, the Parties shall establish a joint steering committee (the "***Joint Steering Committee***" or "***JSC***") consisting of two (2) representatives from each Party. Each Party's representatives on the JSC shall be of the seniority, experience, and decision-making authority appropriate in light of the functions, responsibilities and authority of the JSC. Each Party may replace its representatives on the JSC at any time by providing notice in writing to the other Party. If agreed by the Parties, the JSC may form subcommittees or working groups as may be necessary or desirable to facilitate the activities under this Agreement. The JSC shall serve as a forum for communication with regards to (a) the overall state of the alliance, (b) progress of Lian's and Tarsus's Development and Commercialization activities for the Licensed Products in their respective territories; (c) overseeing, guiding, and monitoring the Development (including the conducting of Clinical Trials) and Regulatory Approval efforts by Lian for the Licensed Products in the Field in the Territory by (i) reviewing and discussing the progress of the Development Activities, including any significant difficulties encountered or anticipated to be encountered in connection therewith, and (ii) reviewing and

approving any amendments to the then-current Development Plan; (d) reviewing the Commercialization Plan and updates thereto; and (e) Eligible Global Studies.

4.2 JSC Decision-Making. The Parties acknowledge that one goal of the JSC's efforts will be to harmonize Development and Commercialization of the Licensed Products in the Territory with the Development and Commercialization of the same or other Licensed Products outside the Territory in the Field. The JSC shall meet on a [***] basis. JSC decisions shall be made by consensus, with each Party having a single vote regardless of the number of the representatives of such Party. Any disputes among representatives at the JSC will be resolved by escalation to appropriate Senior Officers of Lian and Tarsus. To the extent the Senior Officers cannot reach agreement on the matter at hand within [***] days after the dispute matter is brought to them, then the following will apply:

4.2.1 Subject to Section 2.5 and except with respect to Tarsus's exercise of its retained rights to make and have made Licensed Products inside the Territory for exploitation outside the Territory or Field, Lian shall have final decision-making authority with respect to: (a) deciding when Development or Commercialization activities with respect to Licensed Products commence in a Region in the Territory with respect to the Field, and (b) all other matters relating to the exploitation of Licensed Products in the Territory with respect to the Field, except (in each case of sub-clause (a) and (b)) for any matter covered under Section 4.2.2 or Section 4.2.3 below.

4.2.2 Tarsus shall have final decision-making authority with respect to: (a) any matter that would reasonably be expected to negatively impact the Development, or materially negatively impact the Commercialization or other exploitation, of the Compound or product containing a Compound outside the Territory, and (b) any matter relating to any Eligible Global Study (including, whether Lian may participate in any Eligible Global Study).

4.2.3 Notwithstanding anything to the contrary, and except with respect to Lian's exercise of its rights under sub-clause (b) of Section 2.1.1, Tarsus shall have final decision-making authority over all (and neither the JSC nor Lian shall have any authority regarding any) matters relating to the Development, Commercialization or other exploitation of the Compound, Licensed Products, or other products containing a Compound outside the Territory.

4.3 Licensed Product Development.

4.3.1 Lian shall: (a) notify Tarsus prior to preparing the first draft of any protocol for a Clinical Trial involving a Licensed Product; (b) provide Tarsus with copies of each proposed protocol for such Clinical Trial; and (c) consider Tarsus's comments with respect to such Clinical Trial.

4.3.2 Without the approval of the JSC, Lian shall not undertake any Development efforts (including conducting any preclinical studies or Clinical Trials) that are inconsistent with the then-current Development Plan, as approved by the JSC, for any Licensed Product.

5. **DEVELOPMENT OF PRODUCTS**.

5.1 Approval of Development Plan; Annual Updates. The initial Development Plan is set forth in Exhibit A hereto. Lian shall provide the JSC with updates to the Development Plan prior to January 1 of each Calendar Year in which Lian anticipates conducting Development Activities.

5.2 Lian Responsibilities. Lian shall use Commercially Reasonable Efforts to Develop Licensed Products in the Field in the Territory (and, in particular, in the PRC), including by performing Development Activities assigned to Lian in accordance with the Development Plan and strategy for Regulatory Approval of the Licensed Products solely in the Territory. Lian will be responsible for its costs and expenses incurred in performing Development Activities in the Territory. Without limiting the foregoing, Lian shall achieve the following clinical and regulatory milestones on or before their respective completion date set forth below (the "***Completion Date***"). The Completion Dates for the following milestones shall be equitably extended to the extent Tarsus's delays in performing its obligations under this Agreement (or any Supply Agreement) cause a delay in Lian's achievement of such milestones. For clarity, Lian is only required to achieve each milestone once.

Milestone	**Completion Date**
[***]	**[***]**
[***]	**[***]**
[***]	**[***]**

5.3 Extension of Development Milestones.

5.3.1 Lian may extend the **[***]** Milestone by an additional **[***]** months by paying Tarsus USD $**[***]** . Such payment shall be credited against the amount payable for Development Milestone Payment (iv) set forth in Section 9.4.1 if such Development Milestone Payment becomes due.

5.3.2 Lian may extend the **[***]** Milestone by an additional **[***]** months by paying Tarsus USD $**[***]** . Such payment shall be credited against the amount payable for Development Milestone Payment (v) set forth in Section 9.4.1 if such Development Milestone payment becomes due.

5.4 Tarsus Development. Tarsus will use Commercially Reasonable Efforts to complete the Saturn-1 Clinical Trial and Saturn-2 Clinical Trial. An initial plan for Tarsus's Development activities to be conducted outside of the Territory, including the Saturn-1 Clinical Trial and Saturn-2 Clinical Trial, is attached hereto as Exhibit B (the "***Tarsus Development Plan***").

5.5 Global Study Notice. At each quarterly meeting of the JSC prior to receipt of the first Regulatory Approval of a Licensed Product in the Field in the Territory, Tarsus will communicate to Lian any Eligible Global Study that Tarsus is then planning to conduct or has conducted in the past quarter. If it is reasonably possible for Lian to participate in such Eligible Global Study, then Lian may, in its sole discretion, provide Tarsus with a plan for its potential participation in such Eligible Global Study, including its share of all costs and expenses of such Eligible Global Study that directly relate to the Territory and the proposed Regions (and sub-regions) in the Territory where the clinical sites for such Eligible Global Study will be located (the "***Eligible Global Study Proposal***"). Tarsus will consider the Eligible Global Study Proposal in good faith. Notwithstanding the foregoing, Tarsus has no obligation to involve Lian in any Eligible Global Study in any way, and may (a) commence any Eligible Global Study at any time in its sole discretion, or (b) include or exclude Lian from such Eligible Global Study in its sole discretion.

5.6 Reports and Records.

5.6.1 Lian shall keep Tarsus informed of its activities under the Development Plan through summary updates to be provided to the JSC at each regularly-scheduled meeting of the JSC. Tarsus shall keep Lian informed of its ongoing material Development activities under the Tarsus Development Plan through summary updates to be provided to the JSC at each regularly-scheduled JSC meeting.

5.6.2 During the Term and for **[***]** years thereafter, Lian shall maintain records of all Development Activities (or cause such records to be maintained) in sufficient detail and in good scientific manner as will properly reflect all work done and results achieved by or on behalf of Lian in the performance of the Development Plan or otherwise in connection with Development Activities. Tarsus and Lian will provide each other with all reports, records, data and other information that result from Development Activities conducted by it, its respective Affiliates or any Sublicensees in its respective territory.

6. **COMMERCIALIZATION**.

6.1 Commercialization Plan. No later than **[***]** months prior to Lian's estimated date of Regulatory Approval in the Territory, Lian shall provide Tarsus with a written plan for the Commercialization of Licensed Products in the Field in the Territory (the "***Commercialization Plan***"), including a corresponding budget, which shall include reasonable detail regarding the activities Lian expects to undertake, and the amounts it expects to expend in connection with such activities, in each case, over the [***] year period immediately following receipt of the first Regulatory Approval in the Territory. The Commercialization Plan shall be updated annually. Lian shall provide the JSC with a reasonable opportunity to review and comments on the initial Commercialization Plan and each update thereto, and Lian shall consider all such comments in good faith. Lian shall have the sole control over and decision-making authority with respect to the Commercialization of the Licensed Products in the Field in the Territory in accordance with the Commercialization Plan and otherwise as expressly provided under this Agreement.

6.2 Diligence. Lian shall use Commercially Reasonable Efforts to Commercialize Licensed Products in the Territory (and in particular, in the PRC) after achieving Regulatory Approval therefor.

6.3 Progress Report. On a Licensed Product-by-Licensed Product basis for each of Meibomian Gland Disease and Demodex Blepharitis, following the receipt of Regulatory Approval in a Region in the Territory, Lian shall provide to the JSC at each of its regularly-scheduled meetings during such period a written report summarizing Lian's progress in the Commercialization of such Licensed Product in such Region for the relevant indication or otherwise in the Field.

6.4 Samples and Labeling.

6.4.1 Markings. Lian shall, and shall require its Affiliates and any Sublicensees to, mark all Licensed Products and all associated packaging and documentation with the appropriate marking and notices associated with the applicable Licensed Patents in accordance with the applicable Laws of each country or jurisdiction in which such Licensed Products are manufactured, used or sold.

6.4.2 Statements Consistent with Labeling. Lian shall ensure that its employees, independent contractors and other agents market and sell Licensed Products consistent with the requirements of all applicable Laws in the applicable Region in the Territory. Lian shall ensure that

all Licensed Products are labeled and distributed in accordance with applicable Law in the applicable Region in the Territory.

6.5 Two-Invoice Policy. The Parties agree that in the event that Tarsus is the holder of the Regulatory Approval for a Licensed Product in the PRC and, under the Two-Invoice Policy and tendering policies and applicable Laws in a given province in the PRC, neither Lian nor any of its Affiliates can, based on their existing qualifications, distribute the Licensed Products for such province directly or indirectly to its distributors for the PRC, then Tarsus and Lian will use reasonable efforts to discuss in good faith and agree to alternative arrangements for the distribution of the Licensed Product in such province that complies with the Two-Invoice Policy as implemented in such province and that maintains the economic interests of Tarsus and Lian as agreed under this Agreement.

7. **MANUFACTURING; TECHNOLOGY TRANSFER**.

7.1 Generally. Tarsus (itself or through designees) will supply Licensed Products to Lian for Development and Commercialization purposes in the Field in the Territory, in each case, in accordance with separate written agreements, one for supply in Clinical Trials ("***Clinical Supply Agreement***"), and another for supply for Commercialization (the "***Commercial Supply Agreement***"), each to be negotiated in good faith between the Parties pursuant to Section 7.2. For clarity, Lian shall not (and has no right under the License to) manufacture the Licensed Product, except in accordance with Section 7.3.

7.2 Supply by Tarsus. The Parties shall negotiate in good faith to execute a Clinical Supply Agreement and a Commercial Supply Agreement (and, in each case, related quality agreements), pursuant to which Lian will source the Licensed Product from Tarsus and Tarsus will supply (or cause a CMO designated by Tarsus supply) to Lian Licensed Products for Lian's exercise of the rights and licenses in accordance herewith including the conduct of Clinical Trials and Commercialize the Licensed Products in the Field and in the Territory. The Parties will commence negotiations for a Clinical Supply Agreement after Tarsus enters into all agreements with Elanco and other suppliers necessary for the supply of filled, finished and unlabeled Licensed Product to Tarsus. The Parties expect to execute such Clinical Supply Agreement within **[***]** days after Tarsus enters all of such necessary agreements but neither Party shall be deemed in breach of this Agreement for failing to do so. If, after negotiating in good faith, the Parties fail to execute such Clinical Supply Agreement prior to the expiration of such **[***]** day period and an Acquisition of Tarsus has occurred during the Term prior to the expiration of such **[***]** day period or, after such period, an Acquisition of Tarsus occurs prior to the execution of a Clinical Supply Agreement, then Lian may initiate a manufacturing technology transfer pursuant to Section 7.3.1 (a "***Supply Agreement Negotiation Failure***"). If, as a result of a Supply Agreement Negotiation Failure, Tarsus fails to supply, or cause to be supplied, Licensed Products to Lian for Development purposes and as a direct result of such failure to supply Lian is not able to achieve the Phase III Milestone by the applicable Completion Date, then such Completion Date will be extended by the number of days from the expiration of such [***] day period until such time as Tarsus is able to supply, or cause to be supplied, Licensed Products to Lian. The Clinical Supply Agreement shall include (i) payment by Lian to Tarsus of an amount equal to Tarsus's fully burdened cost in supplying the Licensed Product for clinical use plus **[***]** thereof, (ii) supply of sufficient quantities of the Licensed Products to enable the conduct of Clinical Trials of the Licensed Product in the Field and in each Region of the Territory, as provided by the Development Plan; and (iii) other terms customary in the pharmaceutical industry to agreements of this nature. The Commercial Supply Agreement shall include: (A) payment by Lian to Tarsus of an amount equal to Tarsus's (either directly or through its CMO) fully burdened cost in supplying the Licensed Product for commercial use plus **[***]** thereof, and (B) other terms customary in the pharmaceutical

industry to agreements of this nature between collaboration partners. Notwithstanding the foregoing, Tarsus shall have no obligation to supply (or cause supply of) Licensed Products for commercial use if both: (1) such supply could conflict with Tarsus's own Development or Commercialization requirements for Licensed Products in any Calendar Year; and (2) Tarsus provides Lian with at least **[***]** of the volume of Licensed Product that Tarsus procures for itself in such Calendar Year, and in such circumstance, Tarsus's obligation to supply Licensed Product to Lian for such Calendar Year will be capped at such **[***]** of the total volume of Licensed Product procured by Tarsus in such Calendar Year.

7.3 Manufacturing by Lian; Technology Transfer.

7.3.1 After Tarsus receives Regulatory Approval from the FDA to market a Licensed Product in the Field, if (a) (i) a Supply Agreement Negotiation Failure occurs, (ii) Tarsus has Materially Failed to Supply Licensed Products, or (iii) Lian has provided firm written purchase orders, or has provided a forecast that would be reasonably anticipated to, reach or exceed the cap on supply of Licensed Products in a given Calendar Year set forth in sub-clauses (1) and (2) of Section 7.2), (b) Lian otherwise requests and Tarsus approves, not to be unreasonably withheld, or (c) Tarsus so requests, then in each case ((a) – (c)), Lian will have the right and the obligation to manufacture or have manufactured the Licensed Product (but not the Compound) for the Territory for the supply needs of Lian, its Affiliates, and its Sublicensees and distributors in the Field and in the Territory (the commencement of the manufacturing transfer process following the occurrence of either (a), (b), or (c), as applicable, the "***Manufacturing Transfer Commencement***"). Notwithstanding anything to the contrary, Tarsus will have no obligation to continue supplying Lian with Licensed Product after a reasonable transition period (not to exceed **[***]** months, the "***Transition Period***") after Manufacturing Transfer Commencement.

7.3.2 During the Transition Period, at Lian's request and sole cost and expense, Tarsus will provide (or cause its designee to provide) to Lian the Manufacturing Technology and transition services necessary to enable Lian (or a CMO designated by Lian) to Manufacture clinical and commercial supplies of the Licensed Product.

7.3.3 In each agreement with a CMO, Lian shall use reasonable efforts to obtain the following: (a) a right for Tarsus to inspect and audit the CMO directly for quality control/assurance; and (b) a right for Tarsus to observe the CMO during the manufacturing of the Licensed Product, in each of (a) and (b), at Tarsus's cost and expense. At Tarsus's request, Lian shall use reasonable efforts, at Tarsus's cost and expense, to facilitate any inspection or audit of a CMO and permit Tarsus to observe the CMO during the manufacturing of the Licensed Product.

7.3.4 Lian acknowledges that Tarsus's obligations in Sections 7.3.1 and 7.3.2 are conditioned on Lian providing certain documentation reasonably necessary to enable Tarsus to perform its obligations and Lian agrees to provide Tarsus with such documentation and otherwise reasonably cooperate with Tarsus in the performance of its obligations under this Section 7.3.

7.4 Interim Supply. Until Tarsus and Lian execute a Clinical Supply Agreement, as reasonably requested by Lian (and subject to Section 7.2), Tarsus shall place orders with its suppliers for the same Licensed Products for Development purposes on the same terms that Tarsus procures from such suppliers for its own account. Lian shall pay Tarsus an amount equal to the Fully Burdened Manufacturing Cost of such Licensed Products ordered for Lian plus an additional **[***]** thereof. After delivery, Tarsus shall invoice Lian for the Fully Burdened Manufacturing Costs of such Licensed Product plus **[***]** for the applicable order and Lian shall pay Tarsus within **[***]** days after receipt of such invoice. **[***]**.

8. **REGULATORY MATTERS**.

8.1 Responsibility. Lian or its relevant Affiliates or Sublicensees shall be the exclusive holder and owner of all Regulatory Approvals in the Territory for Licensed Products in the Field during the Term, and shall have the sole and exclusive right to make all Regulatory Filings with respect to all of the foregoing; provided, however, that if applicable Laws or Regulatory Authorities in a Region in the Territory require any Regulatory Filings or Regulatory Approvals for Licensed Products in the Field to be filed in the name of and owned by Tarsus, then Tarsus will and hereby does designate Lian (or a Lian Affiliate, Sublicensee, or a regulatory services contractor agent of Lian that agrees, for Tarsus's benefit, to be bound by all obligations of this Agreement to which Lian is bound with respect to obtaining and maintaining Regulatory Approvals, including, without limitation, all obligations of Lian pursuant to this Article 8 (a "***Qualified Regulatory Agent***")) to be its sole authorized agent in such Region in the Territory for obtaining Regulatory Approval with respect to the Licensed Products for the Field, and Lian will file such Regulatory Filings or Regulatory Approvals in Tarsus's name in such Region. In such case, if applicable Laws or Regulatory Authorities in such Region in the Territory later permit Lian to file and own such Regulatory Filings or Regulatory Approvals in Lian's name, then Tarsus will permit such Regulatory Filings and Regulatory Approvals to be filed in the name of and exclusively owned by Lian, and Tarsus will cooperate with Lian to assign and transfer such Regulatory Filings and Regulatory Approvals to Lian. Lian shall not assign or transfer any Regulatory Filings or Regulatory Approvals in the Territory to any Third Party without the prior written consent of Tarsus, except to a Sublicensee or in connection with a permitted assignment of this Agreement in its entirety pursuant to Section 17.10. Lian shall be liable for any Qualified Regulatory Agent's breach of its obligations to Tarsus in connection with such Regulatory Approval activities.

8.2 Communication. To the extent permissible under applicable Law and practicable, Lian shall keep Tarsus informed of all significant matters arising from such Lian's regulatory-related activities with respect to Licensed Products and shall notify Tarsus of any material correspondence that it receives from a Regulatory Authority regarding any Licensed Product or that it submits to any Regulatory Authority regarding any Licensed Product, and will provide to Tarsus a copy of such correspondence in Chinese or, to the extent available, a summary thereof in English, no later than [***] days after receipt of the correspondence to which it relates. Until such time as Lian obtains Regulatory Approval for a Licensed Product in the Field in the Territory, to the extent permissible under applicable Law and practicable, Lian shall provide Tarsus reasonable advance notice of any material meetings, conferences or calls with Regulatory Authority(ies) in the Territory concerning Licensed Products. Tarsus will have the right to request to be present at (but not to participate in, unless requested by Lian or the applicable Regulatory Authority) any such meetings, at Tarsus's sole cost and expense, and Lian will consider any such request in good faith.

8.3 Right of Reference.

8.3.1 Lian hereby grants Tarsus a right of reference to all clinical data and information Controlled by Lian and contained or referenced in any submissions to Regulatory Authorities for the Compound and Licensed Products in the Territory to the extent necessary or reasonably useful for Tarsus to Develop, manufacture, or Commercialize any product containing the Compound outside of the Territory or Field. Lian shall provide the applicable Regulatory Authority(ies) a letter confirming this right of reference at any time within **[***]** days after Tarsus's request and shall take such other actions and execute such other documents as Tarsus may reasonably request to further confirm and give effect to this right of reference.

8.3.2 Tarsus hereby grants Lian a right of reference to all clinical data and information Controlled by Tarsus and contained or referenced in any submissions to Regulatory Authorities for the Compound and Licensed Products outside the Territory to the extent necessary or reasonably useful for Lian to Develop, manufacture, or Commercialize Licensed Products in the Territory in the Field. Tarsus shall provide the applicable Regulatory Authority(ies) a letter confirming this right of reference at any time within **[***]** days after Lian's request and shall take such other actions and execute such other documents as Lian may reasonably request to further confirm and give effect to this right of reference.

8.4 Drug Safety Information. Lian, as the owner of Regulatory Approvals for the Licensed Products in the Field throughout the Territory, shall be responsible for investigating Adverse Events and other required safety information associated with the use of the Licensed Product in the Field in the Territory and shall be responsible for the collection, review, assessment, tracking and filing of information related to Adverse Events in accordance with applicable Laws, provided that, if Tarsus is required by any Regulatory Authority to file in its name and own any Regulatory Approval for a Licensed Product in the Field in a Region in the Territory, then in such Region Tarsus shall be responsible for investigating Adverse Events and other required safety information associated with the use of the Licensed Product in the applicable Region and shall, at Lian's expense, be responsible for the collection, review, assessment, tracking and filing of information related to Adverse Events in accordance with applicable Laws. Lian shall comply fully with all applicable Adverse Event reporting recommendations and requirements in all Regions in the Territory where Lian intends to Commercialize the Licensed Product. Each Party agrees to exchange with the other Party such information as may be necessary for compliance with applicable Adverse Event reporting requirements and to ensure that such Party is completely informed regarding Adverse Events with respect to the Licensed Product. This includes single case reports, together with an appropriate medical evaluation, as well as aggregate data, such as Periodic Safety Update Reports (PSURs) required by authorities. Within **[***]** days after the Effective Date, the Parties shall enter into a pharmacovigilance agreement that defines the Parties' responsibilities and obligations with respect to the procedures and timeframes for compliance with applicable Law pertaining to safety reporting for the Licensed Product.

9. UPFRONT PAYMENTS; MILESTONE PAYMENTS; ROYALTY PAYMENTS.

9.1 Upfront Payment. Lian shall pay Tarsus a non-refundable, non-creditable fee in the amount of fifteen million United States Dollars (USD $15,000,000) (the "***Upfront Payment***") within **[***]** days after the Effective Date.

9.2 Second Payment. Lian shall pay Tarsus a non-refundable, non-creditable fee in the amount of ten million United States Dollars (USD $10,000,000) (the "***Second Payment***") within **[***]** days after the Effective Date.

9.3 Warrant. Upon the Effective Date, Lian will issue a warrant (the "***Warrant***") to Tarsus exercisable for such number of ordinary shares of Lian Ophthalmology as is equal to **[***]** of the then-fully diluted equity of Lian Ophthalmology at the time of issuance of the Warrant, at a price per share equal to the fair market value of such shares at the time of issuance. No later than **[***]** days following the Effective Date, Lian will provide for Tarsus's review the then-current fair market valuation of Lian Ophthalmology, along with reasonable supporting documentation, and will consider in good faith any reasonable comments with respect thereto. The Warrant shall be exercisable upon the terms set forth therein.

9.4 Milestone Payments.

9.4.1 If a development or commercial milestone event specified below (each a "***Development Milestone Event***" or "***Commercial Milestone Event***", as applicable) is achieved with respect to any Licensed Product (including achievement of any milestone event by any Lian Affiliate or any Sublicensee), then Tarsus or Lian, as applicable, shall promptly (and in any event within **[***]** days) notify the other Party in writing of such achievement. Within **[***]** days after such achievement (or, in the case of milestones achieved by Tarsus, within **[***]** days the date Tarsus notifies Lian), Lian shall pay to Tarsus the corresponding non-refundable, non-creditable development milestone payment (each a "***Development Milestone Payment***") or commercial milestone payment (each a "***Commercial Milestone Payment***"), as applicable, specified in the respective table below:

Development Milestone Event for a Licensed Product	**Development Milestone Payment**
[***]	USD $**[***]**
[***]	USD $**[***]**
[***]	USD $**[***]**
[***]	USD $**[***]**
[***]	USD $**[***]**
[***]	USD $**[***]**

Total Development Milestone Payments USD $[***]

Commercial Milestone Event	**Commercial Milestone Payment**
(i) First achievement of greater than USD $**[***]** Aggregate Annual Net Sales	USD $**[***]**
(ii) First achievement of greater than USD$**[***]** Aggregate Annual Net Sales	USD $**[***]**
(iii) First achievement of greater than USD $**[***]** Aggregate Annual Net Sales	USD $**[***]**
(iv) First achievement of greater than USD $**[***]** Aggregate Annual Net Sales	USD $**[***]**
(v) First achievement of greater than USD$**[***]** Aggregate Annual Net Sales	USD $**[***]**
(vi) First achievement of greater than USD $**[***]** Aggregate Annual Net Sales	USD $**[***]**

Total Commercial Milestone Payments USD $[***]

9.4.2 Certain Milestone Rules.

(a) For clarity, Development Milestone Payments for each of Development Milestone Events (iv) – (vi) will be payable only once per Development Milestone Event, upon the achievement of such event by Lian, its Affiliates, or any Sublicensees.

(b) Each Development Milestone Payment shall be payable only on the first occurrence of the corresponding Development Milestone Event and the total amount of Development Milestone Payments shall not exceed USD $**[***]** .

(c) Each Commercial Milestone Payment shall be payable only on the first occurrence of the corresponding Commercial Milestone Event and the total amount of Commercial Milestone Payments shall not exceed USD $**[***]** .

(d) Each of Development Milestones Events (i) – (iii) shall be deemed achieved upon **[***]**, if not achieved earlier.

(e) Development Milestone Event (iv) shall be deemed achieved upon the achievement of Development Milestone Event (v) or (vi) (whichever is first), if not achieved earlier.

(f) Lian shall pay Tarsus Commercial Milestone Payments corresponding to each Commercial Milestone Event first achieved in each Calendar Year, regardless of how many Commercial Milestone Events are achieved in such Calendar Year.

9.5 Consideration. Tarsus acknowledges that the Upfront Payment, Second Payment and payments for achievement of certain Development Milestone Events are made in consideration of the contributions and activities of Tarsus under this Agreement (including, the corresponding Development that Tarsus agrees to undertake in connection with the Licensed Products outside the Territory) in addition the rights granted by Tarsus to Lian hereunder.

9.6 Royalties.

9.6.1 Net Sales Royalties. In each Calendar Year, Lian shall pay Tarsus royalties equal to the percentage of Aggregate Annual Net Sales in such Calendar Year according to the table below. After each Calendar Quarter, royalty payments for such Calendar Quarter shall be payable based on Estimated Quarterly Net Sales (defined in Section 9.7) for such Calendar Quarter and then trued up in the subsequent Calendar Quarter, as further set forth in Section 9.7.

Aggregate Annual Net Sales	**Royalty Rate**
For that portion of Aggregate Annual Net Sales in such Calendar Year less than or equal to USD $**[***]**	**[***]**
For that portion of Aggregate Annual Net Sales in such Calendar Year greater than USD $ **[***]** and less than or equal to USD $**[***]**	**[***]**
For that portion of Aggregate Annual Net Sales in such Calendar Year greater than USD $**[***]**	**[***]**

9.6.2 Royalty Term. On a Licensed Product-by-Licensed Product and Region-by-Region basis, Lian's obligation to pay royalties set forth in Section 9.6.1 with respect to sales of a Licensed Product in a Region will commence upon the date of First Commercial Sale of such Licensed Product in such Region by or under the authority of Lian, its Affiliates, or any Sublicensees, and expire upon the later to occur of (i) the expiration of the last-to-expire Valid Claim Covering such Licensed Product or use thereof that would be infringed by the sale of such Licensed Product in such Region, (ii)

the expiry of Regulatory Exclusivity for such Licensed Product in such Region; and (iii) the **[***]** anniversary of the date of First Commercial Sale of such Licensed Product in such Region (the "***Royalty Term***" for such Licensed Product in such Region).

9.6.3 Royalty Reduction; Royalty Floor. On a Licensed Product-by-Licensed Product and Region-by-Region basis, Lian's obligation to pay royalties set forth in Section 9.6.1 with respect to Net Sales of a Licensed Product in a Region will be subject to royalty reduction for (i) **[***]** of amounts paid by Lian as royalties on Net Sales in respect of any Third Party licenses to Patents (or Patents together with Know-How) that are necessary to manufacture or sell such Licensed Product in such Region, (ii) (A) lack of any, or expiration of all, Valid Claims of the Licensed Patents in such Region Covering the Compound or such Licensed Product or (B) **[***]**, in either case of (A) or (B), royalty payments for such Licensed Product in such Region shall be reduced by **[***]**, and further, with respect to (B) only, **[***]**. **[***]**. Notwithstanding the foregoing, no royalty payment for any Licensed Product in a Calendar Quarter in a Region shall be reduced below **[***]**. **[***]**.

9.7 Net Sales Reports; Royalty Estimates and True-up. Within **[***]** days following the end of each Calendar Quarter, Lian shall submit to Tarsus a written statement reporting a good faith estimate of Aggregate Annual Net Sales attributable to such Calendar Quarter ("***Estimated Quarterly Net Sales***") as broken down on a Licensed Product-by-Licensed Product and Region-by-Region basis, together with the amount of the total royalty payments due Tarsus in respect of such Net Sales and information supporting the calculation of such Net Sales (including detailed calculations of Permitted Deductions and allocations of Combination Products (if any)) ("***Net Sales Details***"). Tarsus will issue an invoice within **[***]** days following its receipt of such Estimated Quarterly Net Sales. Lian shall pay royalties based on Estimated Quarterly Net Sales within **[***]** days after its receipt of such invoice. Lian shall provide Tarsus with the true Net Sales for such Calendar Quarter and related Net Sales Details at the time it provides the Estimated Quarterly Net Sales for the following Calendar Quarter and shall reconcile and true-up the payments of royalties for each Calendar Quarter at the time it makes payments on the Estimated Quarterly Net Sales for the next Calendar Quarter.

*For example only: If the Estimated Quarterly Net Sales for the first Calendar Quarter of a Calendar Year ("**Q1**") are $**[***]**, then Lian would pay Tarsus a royalty payment of $**[***]** for Q1. If after the second Calendar Quarter of such Calendar Year ("**Q2**"), the true amount of Aggregate Annual Net Sales attributable to Q1 are $[***] and the Estimated Quarterly Net Sales attributable to Q2 are $[***], then Lian would pay Tarsus a royalty payment of $[***] after Q2 (i.e., **[***]** of the first $**[***]** of the estimate for Q2 plus **[***]** of the next $**[***]** of the estimate for Q2 plus **[***]** of the $**[***]** increase from the estimated Aggregate Annual Net Sales attributable to Q1 to the actual Aggregate Annual Net Sales attributable to Q1).*

9.8 Payment Terms.

9.8.1 All sums due to Tarsus shall be payable in United States dollars by bank wire transfer in immediately available funds to such bank account(s) as Tarsus shall designate.

9.8.2 When Licensed Products are sold for monies other than United States dollars, the Net Sales of such Licensed Products will first be determined in the foreign currency of the Region in which such Licensed Products were sold and then converted into equivalent United States funds. The exchange rate will be the applicable rate published by the Wall Street Journal on the last Business Day of the Calendar Quarter in which such royalties accrued.

9.8.3 Interest on any the overdue payment shall accrue at an annual interest rate, compounded monthly, equal to **[***]** , or if lower, the maximum rate allowed by applicable Laws, assessed from the day payment was initially due. Each day that Lian fails to deliver information necessary to allow Tarsus to provide an invoice under this Agreement shall be deemed a day of late payment for the corresponding payment.

9.9 Tax Withholding.

9.9.1 Lian shall pay the Upfront Payment, Second Payment, and Development Milestone Payments (including, any pre-payment pursuant to Section 5.3) to Tarsus from a legal entity based in the United States in good standing and from a bank in the United States; provided that if Lian pays the Upfront Payment, Second Payment, and Development Milestone Payments from a legal entity based outside the United States and if any taxes, levies, duties, or other governmental assessments ("Taxes") are paid or required to be withheld under any applicable Laws, then Lian shall pay to Tarsus an additional amount equal to the amount that is required to be paid or withheld to the relevant Government Authority such that Tarsus receives the full amount of the Upfront Payment, Second Payment, and Development Milestone Payments (i.e. all Upfront Payment, Second Payment, and Development Milestone Payments to Tarsus under this Agreement are net of any Taxes and withholding required).

9.9.2 Subject to Section 9.9.1, each Party shall be solely responsible for the payment of the Taxes imposed on its share of income arising from its activities or receipt of payments under this Agreement. Subject to Section 9.9.1, in the event any Tax based on income to Tarsus is required to be withheld and deducted from payments by Lian pursuant to this Agreement under applicable Laws, Lian will make such deduction and withholding and will pay the remainder to Tarsus, any amounts so withheld and deducted will be remitted by Lian on a timely basis to the appropriate Governmental Authority, and Lian will be deemed to have fulfilled all of its payment obligations to Tarsus with respect to such payments. Official receipts of payment of any withholding tax shall be secured and sent to Tarsus as evidence of such payment.

9.9.3 Tarsus and Lian agree to reasonably assist the other Party in claiming exemption from Tax deductions or withholdings under double taxation or similar agreements or treaties from time to time in force and in minimizing the amount required to be so withheld or deducted.

9.10 Financial Audits. Lian 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 Lian in connection with this Agreement for a period of **[***]** Calendar Years following the end of the Calendar Year during which such amounts were payable. Tarsus may appoint an independent public accountant (on a non-contingency basis and reasonably acceptable to Lian; any "Big 4" accountant shall be deemed acceptable to Lian), at Tarsus's expense and subject to such accountant entering into a confidentiality agreement with Lian, to inspect such books of account in order to verify the calculation of any amounts payable to Tarsus hereunder. Such inspections shall be performed not more frequently than once in any **[***]** month period and upon reasonable prior notice, and shall be conducted during regular business hours in such a manner as to not unreasonably interfere with Lian's normal business activities. Tarsus's accountant may only share with Tarsus 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 Lian's Confidential Information. If any such inspection reveals that any payment (a) that should have been paid by Lian is greater than those that were actually paid by Lian, then Lian shall promptly pay the underpaid amount to Tarsus or (b) that was actually paid by Lian is greater than those that should have paid by Lian, then Lian shall credit the overpaid amount against future royalty payments to Tarsus. If the payments that

should have been paid by Lian are at least **[***]** greater than those that were actually paid by Lian, then Lian shall also reimburse Tarsus for the reasonable out-of-pocket costs of such inspection.

10. **CONFIDENTIAL INFORMATION.**

10.1 Definition. "***Confidential Information***" means confidential or proprietary information, data or Know-How, whether provided in written, oral, visual or other form, provided by one Party (the "***Disclosing Party***") to the other Party (the "***Receiving Party***") in connection with this Agreement, including the Licensed Know-How and other information relating to the Disclosing Party's existing or proposed research, development efforts, patent applications, business or products. Confidential Information shall not include any such information that: (a) is already rightfully known to the Receiving Party or its Affiliates (other than under an obligation of confidentiality at least as stringent as required in this Agreement) at the time of disclosure (as evidenced by written records of the Receiving Party); (b) is or becomes generally available to the public other than through any act or omission of the Receiving Party or its Affiliates in breach of this Agreement; (c) is disclosed to the Receiving Party or its Affiliates without an obligation of confidentiality by a Third Party who had no separate nondisclosure obligation in respect of such information; or (d) is independently discovered or developed by or on behalf of the Receiving Party or its Affiliates without the use of or reference to the Confidential Information of the Disclosing Party (as evidenced by written records of the Receiving Party). The Parties agree that with respect to Licensed Know-How, Tarsus shall be deemed the Disclosing Party.

10.2 Confidentiality. The Receiving Party shall, during the Term and for a period of **[***]** years thereafter (except that with respect to any Confidential Information that could qualify as a trade secret, until such Confidential Information otherwise ceases to be deemed Confidential Information in accordance with any of clauses (a)-(d) of Section 10.1), keep in confidence all Confidential Information of the Disclosing Party with the same degree of care it employs to maintain the confidentiality of its own Confidential Information, but no less than a reasonable degree of care. The Receiving Party shall not use such Confidential Information for any purpose other than for the purposes contemplated by this Agreement or disclose the same to any other Person other than to such of its Affiliates, its sublicensees, and its and their employees, agents and subcontractors who have a need to know such Confidential Information for the purposes of exercising the rights or performing the obligations of the Receiving Party under this Agreement. A Receiving Party shall advise any such Affiliate, employee, agent, and subcontractor who receives Confidential Information of such obligations, and the Receiving Party shall ensure (through enforcement of written agreements or otherwise) that all such Affiliates, employees, agents, and subcontractors comply with such obligations as if they had been a Party hereto. The Receiving Party will be liable for breach of confidentiality by any of its Affiliates and its and their employees, agents, or subcontractors.

10.3 Permitted Disclosure and Use. The Receiving Party shall have the right to disclose Confidential Information if, (a) in the reasonable opinion of the Receiving Party's legal counsel, such disclosure is required by any applicable Laws (including, but not limited to, the rules of any stock exchange), provided that, to the extent practicable, the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party and the Receiving Party seeks confidential treatment of such Confidential Information to the maximum extent permitted by the relevant Governmental Authority; or (b) a court, tribunal, administrative agency or other Governmental Authority orders such disclosure, provided that the Receiving Party gives adequate prior notice of such disclosure to the Disclosing Party to permit the Disclosing Party to intervene and to request protective orders or other confidential treatment. The Receiving Party will cooperate reasonably with any such efforts by the Disclosing Party. In addition to the exceptions contained in Section 10.2, each Party may use such Confidential Information and

disclose Confidential Information of the other Party to Third Parties under appropriate terms and conditions (including confidentiality provisions substantially similar to these in this Agreement) to the extent (and solely to the extent) that such use and disclosure is reasonably necessary in the following instances: [***]. The disclosing Party shall be responsible for any breaches of confidentiality by such Third Parties to whom it has disclosed the other Party's Confidential Information. The Parties shall also be permitted to make disclosures consistent with, and pursuant to, Sections 17.1 and 17.4.

10.4 [***].

10.5 Remedies. Money damages may not be an adequate remedy if this Article 10 is breached and, therefore, either Party may, in addition to any other legal or equitable remedies, seek an injunction or other equitable relief in any court of competent jurisdiction against such breach or threatened breach without the necessity of posting any bond or surety.

11. **NON-AMENDMENT OF ELANCO AGREEMENT**. Tarsus shall not modify or amend the Elanco Agreement in any way that would materially and adversely affect Lian's rights under this Agreement. Tarsus shall not prematurely terminate the Elanco Agreement. Tarsus shall promptly notify Lian of any material breach by Tarsus of which Elanco notifies Tarsus or any material breach by Elanco of the Elanco Agreement, and in the event of a breach by Tarsus and failure by Tarsus to cure such breach in a timely manner, will permit Lian to cure such breach on Tarsus's behalf upon Lian's reasonable written request.

12. **REPRESENTATIONS AND WARRANTIES**.

12.1 Mutual Representations and Warranties. Tarsus and Lian each represents and warrants to the other as of the Effective Date:

12.1.1 Such Party: (a) is a company duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization; and (b) has the requisite corporate power and authority and the legal right to conduct its business as now conducted and hereafter contemplated to be conducted;

12.1.2 The execution, delivery and performance of this Agreement by such Party: (a) are within the corporate power of such Party; (b) have been duly authorized by all necessary or proper corporate action; (c) do not conflict with any provision of the organizational documents of such Party; (d) will not, to the Party's knowledge, violate any Laws or any order or decree of any court or Governmental Authority; and (e) will not violate or conflict with any terms of any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Party is a party, or by which such Party is bound;

12.1.3 This Agreement has been duly executed and delivered by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms;

12.1.4 No governmental authorization, consent, approval (except Regulatory Approvals), license, registration, filing or exemption therefrom with any court or other Governmental Authority is or will be necessary for, or in connection with, the performance of the transaction contemplated by this Agreement or any other agreement or instrument executed in connection therewith;

12.1.5 Neither such Party nor, to either Party's knowledge, any of its employees has been debarred by the FDA (or similar action by any other Regulatory Authority), or subject to an FDA debarment investigation or proceeding (or similar investigation or proceeding by any other Regulatory Authority) for any reason.

12.2 Tarsus Representations and Warranties. Tarsus represents and warrants to Lian as of the Effective Date:

12.2.1 Tarsus is the sole and exclusive owner of the entire right, title and interest in and to the Licensed Patents (excluding the Elanco Patents, which Tarsus Controls).

12.2.2 Tarsus has not previously entered into any agreement with respect to, or otherwise assigned, licensed, transferred, conveyed, or otherwise encumbered its rights, title, and interest in or to the Licensed IP in the Field in the Territory in any manner that would conflict with the License granted to Lian herein.

12.2.3 Schedule 1.71 sets forth a complete and accurate list of all Patents existing as of the Effective Date that are owned, Controlled, or held for use by Tarsus relating to the Compound or Licensed Product in the Territory that, as of the Effective Date, (a) Cover any Licensed Know-How, or (b) are otherwise necessary for Lian to make, use, sell, offer to sell, or import any Licensed Product in the Field and in the Territory, excluding all Patents that both: (i) Cover any active therapeutic ingredient (or product containing such active therapeutic ingredient) other than the Compound or any use thereof; and (ii) do not Cover the Compound or any use thereof.

12.2.4 (a) the inventorship of the Licensed Patents in the Territory that are not Elanco Patents is properly identified on each issued patent or patent application in such Licensed Patents; (b) to Tarsus's knowledge, the inventorship of all Elanco Patents in the Territory is properly identified on each issued patent or patent application in such Licensed Patents; and (c) all fees required to be paid by Tarsus in any jurisdiction in the Territory in order to maintain the Licensed Patents have been timely paid.

12.2.5 Except for office actions or other communications from the USPTO or similar patent offices in foreign jurisdictions (and with respect to the USPTO, only to the extent disclosed in writing to Lian (including in a data room) prior to the Effective Date), Tarsus has not been notified of any action, lawsuit, claim or arbitration proceeding contesting the validity, ownership or enforceability of the Licensed Patents, and no such action, lawsuit, claim, or arbitration proceeding has been brought or threatened in writing, or, to Tarsus's knowledge otherwise threatened.

12.2.6 There is no pending litigation, or litigation that has been threatened in a writing received by Tarsus, that alleges, or any written communication received by Tarsus alleging, that Tarsus's practice of the Licensed IP prior to the Effective Date has infringed, misappropriated, or otherwise violated the Intellectual Property Rights of any Third Party.

12.2.7 To Tarsus's knowledge, the practice by Lian under the Licensed IP or the exploitation by Lian (or its Affiliates or any Sublicensees) of any Licensed Product, in each case, as contemplated under this Agreement in the Field and in the Territory, will not infringe, misappropriate, or otherwise violate any intellectual property of any Third Party.

12.2.8 Tarsus has taken reasonable efforts consistent with industry practices to protect the secrecy and confidentiality of all Licensed Know How that both: (a) constitutes trade secrets of Tarsus under applicable Law; and (b) Tarsus intends to maintain as confidential. To its knowledge,

such Licensed Know How existing at the Effective Date has been kept confidential or has been disclosed to Third Parties only under terms of confidentiality.

12.2.9 Tarsus and its Affiliates have conducted all Development of Compounds and Licensed Products in accordance with all applicable Law in all material respects.

12.2.10 Tarsus has furnished or made available to Lian or its agents or representatives (a) all material (as determined by Tarsus in its reasonable discretion) safety and efficacy data existing as of the Effective Date in Tarsus's Control, and (b) all material (as determined by Tarsus in its reasonable discretion) Regulatory Filings and other material correspondence with Regulatory Authorities in Tarsus's control, in each case ((a) and (b)), concerning the Licensed Product (in each case in the form being Developed by Tarsus or any of its Affiliates as of the Effective Date) for use in the Field.

12.2.11 To Tarsus's knowledge, there is no material information, including regarding any safety, efficacy, or regulatory issues, within Tarsus's Control that has not been disclosed to Lian and that would materially adversely affect the acceptance, or the subsequent approval, by any Regulatory Authority of any Regulatory Filing for the Licensed Product in the Field and in the Territory.

12.3 Mutual Covenants. Each Party hereby covenants and agrees that:

12.3.1 it will not utilize in connection with the Development or Commercialization of the Compound or Licensed Product any person or entities that are debarred by the FDA pursuant to the provisions of the Generic Drug Enforcement Act of 1992 (21 U.S.C. § 335) or any similar legislation in the Territory; and

12.3.2 if, during the Term of this Agreement, it becomes aware that it or any of its or its Affiliates' employees or agents performing under this Agreement is the subject of any investigation or proceeding that could lead to that Party becoming an entity or individual debarred by the FDA pursuant to the provisions of the Generic Drug Enforcement Act of 1992 (21 U.S.C. § 335) or any similar legislation in the Territory, or an excluded entity or individual or a convicted entity or individual with respect to such legislation, such Party will promptly notify the other Party.

12.3.3 to the extent permissible under applicable Law, (a) all employees, agents, advisors, consultants, contractors or other representatives of each Party or its Affiliates performing activities under this Agreement are and will be under an obligation to assign all rights, title, and interests in and to their Inventions, whether or not patentable, and Intellectual Property Rights therein, to such Party or its Affiliate as the sole owner thereof; (b) a Party will have no obligation to contribute to any remuneration of any inventor employed or previously employed by the other Party or any of its Affiliates in respect of any such Inventions and other Know-How and Intellectual Property Rights therein that are so assigned to a Party or its Affiliate(s); and (c) the Party employing such inventor will pay all such remuneration due for such Inventions and other Know-How and Intellectual Property Rights therein.

12.4 Disclaimer of Warranty. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN ARTICLE 12, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE

DEVELOPMENT, MANUFACTURE AND COMMERCIALIZATION OF THE PRODUCTS PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL.

12.5 LIMITATION OF LIABILITY. EXCEPT FOR DAMAGES RESULTING FROM BREACHES OF ARTICLE 3, ARTICLE 10, SECTION 2.5, SECTION 2.6 [***], OR THE PRACTICE OF THE LICENSED IP BY OR ON BEHALF OF LIAN OR ITS AFFILIATES OUTSIDE OF THE SCOPE OF THE LICENSES GRANTED UNDER THIS AGREEMENT, AND WITHOUT LIMITING EITHER PARTY'S OBLIGATIONS IN RESPECT OF INDEMNIFIABLE THIRD PARTY CLAIMS UNDER ARTICLE 13, IN NO EVENT WILL EITHER PARTY HAVE ANY CLAIMS AGAINST OR LIABILITY TO THE OTHER PARTY WITH RESPECT TO ANY INDIRECT, PUNITIVE, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES (INCLUDING ANY CLAIMS FOR LOST PROFITS OR REVENUES) ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT UNDER ANY THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN INFORMED OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

13. **INDEMNIFICATION**.

13.1 Indemnification by Lian. Subject to Section 13.3, Lian shall indemnify and defend Tarsus and its Affiliates and each of their officers, directors, employees, successors and assigns from and against any and all liabilities, damages, settlements, penalties, fines, costs or expenses (including reasonable attorneys' fees and other expenses of litigation) (collectively, "***Loss***" or "***Losses***") resulting from any Claims of Third Parties to the extent arising out of (a) Lian's gross negligence or willful misconduct in performing any of its obligations or exercising its rights under this Agreement, (b) breach by Lian of any of its representations or warranties under this Agreement or any obligation, covenant, or agreement in this Agreement, or (c) solely relating to activities directed to the Development or Commercialization of the Compound or Licensed Products within the Territory by Lian, Lian Affiliates, Sublicensees, agents or subcontractors (including any use, handling, storage, marketing, sale, distribution or other disposition of the Compound or Licensed Products by such persons in performance of such Development or Commercialization), except to the extent any such Losses are Losses for which Tarsus is obligated to indemnify Lian pursuant to Section 13.2.

13.2 Indemnification by Tarsus. Subject to Section 13.3, Tarsus shall indemnify and defend Lian and its Affiliates and each of their officers, directors, employees, successors and assigns from and against any and all Losses resulting from all Claims of Third Parties to the extent arising out of (a) **[***]**.

13.3 Procedure for Indemnification.

13.3.1 Notice. Each Party (the "***Indemnified Party***") will notify promptly the other Party (the "***Indemnifying Party***") in writing if it becomes aware of a Claim (actual or potential) by any Third Party or any proceeding (including, but not limited to, any investigation by a Governmental Authority) for which indemnification may be sought and will give such related information as the Indemnifying Party shall reasonably request; *provided*, *however*, that failure by an Indemnified Party to give notice of a Claim as provided in this Section 13.3.1 will not relieve the Indemnifying Party of its indemnification obligation under this Agreement, except and only to the extent that such Indemnifying Party is materially prejudiced as a result of such failure to give notice.

13.3.2 Defense of Claim. The Indemnifying Party shall have sole control over the defense and settlement of any such Claims and shall be responsible for satisfying and discharging any

award made to or settlement reached with the Third Party pursuant to the terms of this Agreement. The Indemnifying Party shall use counsel reasonably acceptable to the Indemnified Party and shall be responsible for the fees and expenses of such counsel related to such proceeding. In any such proceeding, the Indemnified Party, at its sole expense, shall have the right to retain its own counsel at its own expense. If the Indemnifying Party fails to assume control over the defense of any such Claims, then the Indemnified Party may control such defense using counsel of its choosing, and the Indemnifying Party will be responsible or the reasonable fees and expenses of such counsel related to such proceeding. The Party controlling the defense of any Claim will keep the other Party advised of the status and material developments of such Claim and the defense thereof and will reasonably consider recommendations made by the other Party with respect thereto. The other Party will reasonably cooperate with the Party controlling such defense and its Affiliates and agents in defense of the Claim, with all out-of-pocket costs of such cooperation to be borne by the Indemnifying Party.

13.3.3 Settlement. The Indemnifying Party shall not, without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld, refused, conditioned or delayed), effect any settlement of any such Third Party Claim, unless such settlement includes an unconditional release of the Indemnified Party from all liability on such Claims or that imposes any liability or obligation on the Indemnified Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, agree to any settlement of such Third Party Claim or consent to any judgment in respect thereof unless such settlement or judgment includes a full and unconditional release of the Indemnified Party from all liability with respect thereto, that imposes any liability or obligation on the Indemnified Party, or that adversely affects the rights of the Indemnified Party.

14. PROSECUTION; LITIGATION.

14.1 Prosecution and Maintenance of Patents.

14.1.1 Tarsus shall have the first right (but not the obligation) to Prosecute the Licensed Patents at its own expense. Tarsus shall keep Lian reasonably updated with regard to the Prosecution of the Licensed Patents in the Territory and shall provide Lian with copies of all applications, filings, and official correspondence (including, applications, office actions and responses) relating thereto. Tarsus will provide Lian a reasonable opportunity to provide comments on drafts of all material filings and correspondence related to Prosecution of the Licensed Patents in the Territory (which comments Tarsus shall consider in good faith but may accept or reject in its sole discretion). Notwithstanding the foregoing, with respect to any Licensed Patent that is licensed to Tarsus from a Third Party, the foregoing review and comment rights will only apply to the extent that Tarsus has such rights.

14.1.2 Tarsus may abandon the Prosecution of any Licensed Patents in its sole discretion. Tarsus will provide Lian at least **[***]** days' notice of its intention to abandon such Prosecution and provide Lian with reasonable opportunity, but not the obligation, to assume responsibility for the Prosecution of such Licensed Patents as set forth below. In the event that Tarsus abandons the Prosecution of Licensed Patents in the Territory at any time during the Term, Lian may assume the Prosecution responsibility therefor in the name of Tarsus, and the costs associated with such prosecution shall be paid by Lian at its sole discretion. No such action by Lian will change the ownership or license provisions with respect to the applicable Licensed Patent unless agreed by the Parties in writing. Tarsus will execute all documents that Lian may reasonably request for such purposes. Lian shall have no further obligations to Tarsus with respect to any such Licensed Patents and such Licensed Patent shall be deemed expired for all purposes of Section 9.6.3. Notwithstanding the foregoing, with respect to any Licensed

Patent that is licensed to Tarsus from a Third Party, the foregoing will only apply to the extent that Tarsus has such rights.

14.2 Enforcement and Defense.

14.2.1 Notice of Infringement. Each Party shall promptly notify the other in writing (a) of any actual or suspected infringement or misappropriation by a Third Party of any Licensed IP in the Territory (including unauthorized importation into the Territory for sale in the Territory), of which it becomes aware, or (b) upon receiving notification that a Licensed Patent is subject to a declaratory judgment action, opposition, nullity action, interference, ex parte and inter partes reexaminations, ex parte and inter partes review, post-grant review, derivation proceeding, or similar action alleging non-infringement, invalidity or unenforceability in the Territory, which notification shall specify in reasonable detail the nature of such actual or suspected infringement or judicial action.

14.2.2 Right to Enforce. As between the Parties (and, with respect to the Elanco Patents, subject to Elanco's approval), Lian shall have the first right, using counsel of its choice, to enforce the applicable Licensed Patent(s) in the Territory with respect to infringement in the Field (a "***Third Party Infringement Action***"), at its expense, and Tarsus shall reasonably cooperate, in good faith, with Lian in such Action, at Lian's expense. Lian shall provide Tarsus with an opportunity to make suggestions and comments regarding such enforcement, and Lian shall consider all such suggestions and comments in good faith. Lian shall keep Tarsus reasonably informed of the status and progress of the litigation. Without limiting the foregoing, if Lian is authorized hereunder to initiate an Action against a Third Party under this Section 14.2.2, but Lian is not recognized by the applicable court or other relevant body as having the requisite standing to pursue such action, then at Lian's request, Tarsus shall join in as party-plaintiff or commence such Action in its own name and, in either event, cooperate with Lian, at Lian's expense. If Lian does not elect to enforce the Licensed Patents against a Third Party Infringement Action within **[***]** days after one Party informs the other of such Third Party Infringement Action, then Tarsus may enforce the Licensed Patents against such Third Party.

14.2.3 Defense. Each Party will promptly notify the other Party if a Third Party brings any Action alleging patent infringement by Lian or Tarsus or any of their respective Affiliates or Sublicensees with respect to the Development, manufacture or Commercialization of any Licensed Product in the Field in the Territory (any such Action, an "***Infringement Claim***"). Lian will have the right, but not the obligation, to control the defense and response to any such Infringement Claim in the Field in the Territory with respect to Lian's activities, at Lian's sole cost and expense, and Tarsus will have the right, at its own expense, to be represented in any such Infringement Claim in the Field in the Territory by counsel of its own choice. Tarsus will have the sole right, but not the obligation, to control the defense and response to any such Infringement Claim with respect to Tarsus's activities, including any such Infringement Claim outside of the Field or outside of the Territory. Upon the request of the Party controlling the response to the Infringement Claim, the other Party will reasonably cooperate with the controlling Party in the reasonable defense of such Infringement Claim. The other Party will have the right to consult with the controlling Party concerning any Infringement Claim and to participate in and be represented by independent counsel in any associated litigation. If the Infringement Claim is brought against both Parties, then each Party will have the right to defend against the Infringement Claim. The Party defending an Infringement Claim under this Section 14.2.3 will (a) consult with the other Party as to the strategy for the prosecution of such defense, (b) consider in good faith any comments from the other Party with respect thereto, and (c) keep the other Party reasonably informed of any material steps taken and provide copies of all material documents filed, in connection with such defense. The Party controlling the defense against an Infringement Claim will have the right to settle such Infringement

Claim on terms deemed reasonably appropriate by such Party, provided that, unless any such settlement includes a full and unconditional release from all liability of the other Party and does not adversely affect the rights of the other Party, any such settlement will be subject to the other Party's prior written consent.

14.2.4 Distribution of Recoveries. Any damages obtained (whether in judgment or settlement) in a Third Party Infringement Action to the extent attributable to infringement of Licensed Patents in the Field in the Territory shall be distributed as follows: (a) first, each Party and Elanco shall be reimbursed for its reasonable out-of-pocket costs (if any) paid in connection with the proceeding, and Tarsus shall be reimbursed for such amounts as necessary to reimburse Elanco in connection with the proceeding as required under the Elanco Agreement; (b) second, Lian shall retain **[***]** of such amounts if it was the Party to enforce such Third Party Infringement Action, *provided* that such recoveries shall be **[***]**; and (c) finally, if Tarsus was the Party to enforce such Third Party Infringement Action, then Tarsus shall retain **[***]** of the remaining amount and pay the remaining **[***]** to Lian.

14.2.5 Settlement. In no case may Lian enter into any settlement or consent judgment or other voluntary final disposition with respect to any infringement Action referenced in this Section 14.2 that: (a) extends, or purports to exercise, Lian's rights under the Licensed IP beyond the rights granted pursuant to this Agreement; (b) makes any admission regarding wrongdoing by Tarsus or the invalidity, unenforceability or absence of infringement of any Licensed Patents; (c) subjects Tarsus to an injunction or other equitable relief; or (d) obligates Tarsus to make a monetary payment; in all cases without the prior written consent of Tarsus, which consent will not be unreasonably withheld or delayed. Similarly, in no case may Tarsus enter into any settlement or consent judgment or other voluntary final disposition with respect to any infringement Action referenced in this Section 14.2 that: (i) limits Lian's rights or interests under the Licensed IP under this Agreement; (ii) makes any admission regarding wrongdoing by Lian; (iii) subjects Lian to an injunction or other equitable relief; or (iv) obligates Lian to make a monetary payment; in all cases without the prior written consent of Lian, which consent shall not be unreasonably withheld or delayed.

14.2.6 In-Licensed Patents. With respect to any Licensed Patent that is licensed to Tarsus from a Third Party, to the extent Tarsus has the right to do so, Tarsus will cooperate with Lian to enforce, such Licensed Patents in the Field and in the Territory in the same manner as set forth in this Section 14.2. As between Tarsus and Lian, any recoveries from enforcement of such Licensed Patents owned by a Third Party shall be shared in accordance with Section 14.2.4, after deducting from such recoveries any amounts owed to the Third Party licensor for such enforcement.

15. ANTI-CORRUPTION.

15.1 In the performance of its obligations under this Agreement, each Party shall comply and shall cause its and its Affiliates' employees, licensees, sublicensees, and contractors (collectively with respect to Lian, "***Lian Personnel***") to comply with all applicable Laws.

15.2 Lian and Lian Personnel shall not, in connection with the performance of their respective obligations under this Agreement, directly or indirectly through Third Parties, pay, promise, or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a Public Official or Entity or other person for purpose of obtaining or retaining business for or with, or directing business to, any person, including, Lian (and Lian represents and warrants that as of the Effective Date, Lian and Lian Personnel have not directly or indirectly promised, offered, or provided any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift, or hospitality or other illegal or unethical benefit to a Public Official or Entity or any other person in

connection with the performance of such Party's obligations under this Agreement, and Lian covenants that Lian and Lian Personnel shall not, directly or indirectly, engage in any of the foregoing).

15.3 Lian and Lian Personnel, in connection with the performance of its obligations under this Agreement, shall not violate or cause the violation of the Anti-Corruption Laws, Export Control Laws, or any other applicable Laws, or otherwise cause any reputational harm to Tarsus.

15.4 Lian shall promptly notify Tarsus if it has any knowledge of or reasonably believes that there may be a violation of the Anti-Corruption Laws, Export Control Laws, or any other applicable Laws in connection with the performance of this Agreement or the Development or Commercialization of any Licensed Product.

15.5 In the event that Lian has violated or been suspected of violating any of the representations, warranties, or covenants in this Article 15, Lian will cause Lian Personnel or others working under its direction or control to submit to periodic training that it will provide on Anti-Corruption Law compliance or other relevant compliance.

15.6 Lian will, at Tarsus's request (not more than once per Calendar Year), provide reasonable documentation evidencing its compliance, in connection with the performance of its obligations under this Agreement, with the representations, warranties, or covenants in Article 15.

16. TERM AND TERMINATION.

16.1 Term. This Agreement shall commence on the Effective Date and shall expire upon the expiration of the Royalty Term in the Territory for all Licensed Products, unless earlier terminated as provided in this Article 16 (the "***Term***").

16.2 Termination of this Agreement by Lian for Convenience. Lian may terminate this Agreement for any reason upon **[***]** days' prior notice to Tarsus.

16.3 Termination for Breach.

16.3.1 Either Party may terminate this Agreement upon notice to the other Party for any material breach of this Agreement by the other Party, if such material breach is not cured within **[***]** days (or **[***]** days for payment breaches) after the breaching Party receives notice of such breach from the non-breaching Party, or, if such breach can be cured but cannot be cured within **[***]** days and if the breaching Party prepares and uses reasonable efforts to follow a cure plan, up to **[***]** days. The written notice describing the alleged material breach will provide sufficient detail to put the breaching Party on notice of such material breach. **[***]**.

16.3.2 Tarsus may terminate this Agreement immediately upon notice to Lian if Lian breaches Section 9.1 or Section 9.2 and fails to cure such breach within **[***]** days. For clarity, such termination is not subject to any tolling or opportunity to cure following such then **[***]** day period. Additionally, Section 17.6 shall not apply with respect to any breach of Section 9.1.

16.4 Termination for Patent Challenge. Tarsus shall have the right to terminate this Agreement in its entirety, immediately upon the issuance of notice to Lian, if at any time Lian or any of its Affiliates or any Sublicensee challenges, or causes to be challenged, in any way, the validity, enforceability or scope of the Licensed Patents in any court or before any Governmental Authority with authority to determine the validity, enforceability or scope of such Licensed Patents (a "***Patent***

Challenge"), or cause or request, without the prior written approval of Tarsus, a review by any such court or Governmental Authority of the same. For clarity, a Patent Challenge includes Lian or any of its Affiliates or any Sublicensee, directly or indirectly: (i) initiating or requesting an interference or opposition proceeding with respect to any Licensed Patents; (ii) making, filing or maintaining any claim, demand, lawsuit, or cause of action to challenge the validity or enforceability of any Licensed Patents; or (iii) opposing any extension of, or the grant of a supplementary protection certificate with respect to, any Licensed Patents. Notwithstanding any provision to the contrary in this Agreement, Tarsus's right to terminate this Agreement under this Section 16.4 will not apply to any Patent Challenge that (a) (i) is a Patent Challenge of Licensed Patent(s) held in the Territory (and not any other Licensed Patent(s)) first made by Lian or any of its Affiliates or any Sublicensee in defense of a claim of patent infringement brought by Tarsus under the applicable Licensed Patents held in the Territory, or (ii) is brought by any Sublicensee if Lian terminates such Sublicensee's sublicense to all Licensed IP within **[***]** days after Tarsus's notice to Lian under this Section 16.4; and (b) is not a Patent Challenge of any Elanco Patent.

16.5 Termination for Bankruptcy. Either Party hereto shall have the right to terminate this Agreement, to the extent permitted by applicable Laws, forthwith upon notice to the other Party (a) if the other Party is declared insolvent or bankrupt by a court of competent jurisdiction, (b) if a voluntary or involuntary petition of bankruptcy, reorganization, liquidation, or receivership is filed in any court of competent jurisdiction against the other Party and such petition is not dismissed or stayed within [***] days after filing or (c) if the other Party shall make or execute an assignment of substantially all of its assets for the benefit of creditors.

16.6 Rights in Bankruptcy.

16.6.1 All rights and licenses now or hereafter granted by either Party to the other Party under or pursuant to this Agreement are, for all purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined in the U.S. Bankruptcy Code. Upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, upon the appointment of a receiver or trustee over all or substantially all property, or upon an assignment of a substantial portion of the assets for the benefit of creditors by either Party, such Party agrees that the other Party, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. Each Party will, during the Term, create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, to the extent feasible, of all Intellectual Property Rights licensed by such Party under this Agreement. Each Party acknowledges and agrees that "embodiments" of Intellectual Property Rights within the meaning of Section 365(n) include laboratory notebooks, cell lines, product samples and inventory, research studies and data, all Regulatory Approvals (and all applications for Regulatory Approval) and rights of reference therein, the Licensed Know-How, Licensed Patents, and all information related to the Licensed Know-How or Licensed Patents. If (A) a case under the U.S. Bankruptcy Code is commenced by or against either Party, (B) this Agreement is rejected as provided in the U.S. Bankruptcy Code and (C) the other Party elects to retain its rights hereunder as provided in Section 365(n) of the U.S. Bankruptcy Code, the Party subject to such case (in any capacity, including debtor-in-possession) and its successors and assigns (including a trustee) will:

(a) provide the non-subject Party with all such Intellectual Property Rights (including all embodiments thereof) held by the subject Party and such successors and assigns, or otherwise available to them, immediately upon the non-subject Party's written request. Whenever the subject Party or any of its successors or assigns provides to the non-subject Party any of the Intellectual Property Rights licensed hereunder (or any embodiment thereof) pursuant to this Section 16.6, the non-

subject Party will have the right to perform the subject Party's obligations hereunder with respect to such Intellectual Property Rights, but neither such provision nor such performance by the non-subject Party will release the subject Party from liability resulting from rejection of the license or the failure to perform such obligations; and

(b) not interfere with the non-subject Party's rights under this Agreement, or any agreement supplemental hereto, to such Intellectual Property Rights (including such embodiments), including any right to obtain such Intellectual Property Rights (or such embodiments) from another entity, to the extent provided in Section 365(n) of the U.S. Bankruptcy Code.

16.6.2 All rights, powers and remedies of the non-subject Party provided in this Section 16.6 are in addition to and not in substitution for any other rights, powers, and remedies now or hereafter existing at law or in equity (including the U.S. Bankruptcy Code) in the event of the commencement of a case under the U.S. Bankruptcy Code with respect to the subject Party. The Parties intend the following rights to extend to the maximum extent permitted by applicable Law, and to be enforceable under U.S. Bankruptcy Code Section 365(n):

(a) the right of access to any Intellectual Property Rights (and all embodiments thereof) of the subject Party or any Third Party that is licensed or sublicensed to the non-subject Party under this Agreement; and

(b) the right to contract directly with any Third Party to complete the contracted work.

16.7 Effects of Termination.

16.7.1 Upon expiration of the Royalty Term of each Licensed Product in each Region, the License will become non-exclusive, perpetual, irrevocable, fully paid-up, royalty-free, fully sublicenseable, and transferable in the Field and in the Territory for such Licensed Product in such Region.

16.7.2 Upon the early termination of this Agreement: (a) all rights and licenses granted to Lian herein shall terminate and revert to Tarsus; (b) at Tarsus's request, Lian shall either promptly transition to Tarsus any on-going Clinical Trials with respect to the applicable Licensed Product or wind down such Clinical Trials; (c) Lian shall promptly provide Tarsus with all data and results in its possession relating to Licensed Products; (d) Lian will promptly assign or transfer, or cause to be assigned and transferred to Tarsus (or if not so assignable, Lian shall take all reasonable actions to make available to Tarsus the benefits of), all Regulatory Filings, Manufacturing Technology, Know-How, Regulatory Approvals, and trademarks (including all trademark applications and registration and associated goodwill) to the extent solely related to the Licensed Products (collectively, "***Product Materials***"); and (e) all rights granted by Lian to Tarsus under this Agreement will survive. Lian will perform the foregoing activities ((b) through (d)) at its sole cost and expense, provided that, if this Agreement is terminated by Lian pursuant to Section 16.3 or Section 16.5, then Tarsus will reimburse Lian's reasonable costs and expenses for such activities. Lian shall, at Tarsus's expense, provide to Tarsus the necessary information to permit Tarsus to effect and perfect the transfer of all the Product Materials, and shall reasonably cooperate with Tarsus in executing appropriate documents to effectuate the transfer or assignment for the relevant Product Materials (including the Regulatory Approvals and trademarks) that are in the name of Lian or any of its Affiliates. Lian will have the right, for a period of **[***]** days

following termination of this Agreement, to sell or otherwise dispose of any Licensed Products on hand or in the process of being manufactured at the time of such termination.

16.7.3 Except as otherwise provided herein, upon termination of this Agreement, all remaining records, documents, materials, or other media in each Receiving Party's possession or control containing the Disclosing Party's Confidential Information and to which such Receiving Party does not retain rights hereunder, shall promptly be returned or destroyed at the request of the Disclosing Party. Notwithstanding the foregoing, copies of such records may be retained by legal counsel for such Receiving Party solely for archival purposes. For clarity, Tarsus has no obligation to return or destroy records, documents, materials, or other media relating to any Licensed Products.

16.8 Survival. The termination or expiration of this Agreement shall not relieve the Parties of any liability accruing prior to such termination, and any such termination shall be without prejudice to the rights of either Party against the other. The provisions of Articles 1, 10, 13, and 17 and Sections 2.7, 5.6.2 (with respect to Lian's obligations for the period set forth therein), 8.2, 8.3.1, 9.10, 12.4, 12.5, 16.6, 16.7, and 16.8 shall survive any termination or expiration of this Agreement.

17. MISCELLANEOUS.

17.1 LianBio Guarantee. LianBio hereby unconditionally and irrevocably guarantees, as a primary obligor and not merely as surety, the due and punctual payment and performance of all obligations of Lian under this Agreement (the "***Lian Obligations***"). LianBio agrees that the Lian Obligations may be extended, modified, or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension, modification, or renewal of any Lian Obligation. The obligations of LianBio under this Section 17.1 will not be affected by the failure of Tarsus to assert any claim or demand or to enforce any right or remedy against Lian under the provisions of this Agreement or otherwise. LianBio further agrees that its guarantee constitutes a guarantee of payment and performance when due and not of collection. However, prior to seeking satisfaction of any Lian Obligation by LianBio, Tarsus will first direct any requests with respect to the satisfactions of any outstanding or overdue Lian Obligations to Lian.

17.2 Affiliates. Each Party may discharge any obligations and, to the extent applicable, subject to the provisions concerning sublicenses, exercise any rights hereunder through delegation of its obligations or rights to any of its Affiliates, provided that each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement and will cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

17.3 Publications. Lian will notify Tarsus of any planned abstracts, oral presentations and manuscripts relating to the publication of clinical data and other scientific data generated in the course of Development of the relevant Licensed Product by Lian. Lian shall provide a draft of the planned submission or presentation at least **[***]** days prior to publication or presentation (as the case may be) and will incorporate in good faith all comments of Tarsus to prevent the disclosure of any Confidential Information of Tarsus contained therein, and will allow for the filing of patent applications as necessary to preserve proprietary rights in the information in the material being submitted for publication or presentation. The review period may be extended for an additional **[***]** days if Tarsus can demonstrate a reasonable need for such extension for purposes of the preparation and filing of patent applications. The Parties will each comply with standard academic practice regarding authorship of

scientific publications and recognition of contribution of other parties in any such publications or presentations.

17.4 Public Announcements. Lian and Tarsus have agreed on language of a joint press release announcing this Agreement, which, unless otherwise agreed by the Parties, will be issued by the Parties promptly after the Effective Date substantially in the form attached hereto as Schedule 17.4. Except as may be expressly permitted under this Section 17.4 or mandated by applicable Laws or the rules of any stock exchange, neither Party will make any public announcement of any information regarding this Agreement without the prior written consent of the other Party. Once any statement is approved for disclosure by the Parties, either Party may make a subsequent public disclosure containing the same information disclosed in such prior public announcement without further approval of the other Party.

17.5 Relationship of the Parties. This Agreement is not a partnership agreement and nothing in this Agreement shall be construed to establish a relationship of partners or joint venturers between the Parties.

17.6 Force Majeure. The occurrence of an event that materially interferes with the ability of a Party to perform its obligations or duties hereunder which is not within the reasonable control of the Party affected, and which could not with the exercise of Commercially Reasonable Efforts have been avoided ("***Force Majeure Event***"), including, but not limited to, war, rebellion, earthquake, fire, accident, strike, riot, civil commotion, act of God, epidemic, pandemic, quarantine, inability to obtain raw materials, delay or errors by shipping companies or change in Law, shall not excuse such Party from the performance of its obligations or duties under this Agreement, but shall merely suspend such performance (other than performance of payment obligations) during the Force Majeure Event. The Parties agree the effects of the COVID-19 pandemic that is ongoing as of the Effective Date may be invoked as a Force Majeure Event for the purposes of this Agreement even though the pandemic is ongoing to the extent those effects are not reasonably foreseeable by the Parties as of the Effective Date. The Party subject to a Force Majeure Event shall promptly notify the other Party of the occurrence and particulars of such Force Majeure Event and shall provide the other Party, from time to time, with its best estimate of the duration of such Force Majeure Event and with notice of the termination thereof. The Party so affected shall use Commercially Reasonable Efforts to avoid or remove such causes of non-performance as soon as is reasonably practicable. Upon termination of the Force Majeure Event, the performance of any suspended obligation or duty shall without delay recommence. The Party subject to the Force Majeure Event shall not be liable to the other Party for any damages arising out of or relating to the suspension or termination of any of its obligations or duties under this Agreement by reason of the occurrence of a Force Majeure Event, provided that such Party complies in all material respects with its obligations under this Section 17.6.

17.7 Dispute Resolution. Subject to the dispute escalation and decision-making provisions of Article 4, in the event of any dispute, controversy or claim hereunder arising out of or relating to this Agreement either Party may, on **[***]** days notice to the other Party, initiate binding arbitration in accordance with the then-current Rules of Arbitration of the International Chamber of Commerce (the "***ICC***"). The Parties shall select a mutually acceptable arbitrator within **[***]** days of the request of the Party invoking this dispute resolution procedure. If the Parties are unable to agree upon an arbitrator, then the ICC shall select a qualified, independent arbitrator. Such arbitration will be held in New York City, New York and conducted in the English language. The decision of the arbitrator will be final and binding on the Parties. The prevailing Party may enforce any arbitration decision or award, and

either Party may seek injunctive, equitable or similar relief (without the requirement of arbitration), in any court having competent jurisdiction.

17.8 Governing Law. This Agreement shall be construed, and the respective rights of the Parties determined, according to the substantive law of the State of New York without regard to the conflict of laws principles thereof. The United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

17.9 Attorneys' Fees and Related Costs. The prevailing Party, as determined by the arbitrators, shall be entitled to (a) its share of fees and expenses of the arbitrators and (b) its attorneys' fees and any and all associated costs and expenses. In determining which Party "prevailed," the arbitrators shall consider (i) the significance, including the financial impact, of the claims prevailed upon and (ii) the scope of claims prevailed upon, in comparison to the total scope of the claims at issue. If the arbitrators determine that, given the scope of the arbitration, neither Party "prevailed," the arbitrators shall order that the Parties (1) share equally the fees and expenses of the arbitrators and (2) bear their own attorneys' fees and associated costs and expenses.

17.10 Assignment. This Agreement may not be assigned by either Party, in whole or in part, whether voluntarily or by operation of law, without the prior written consent of the other Party; provided that, without prior written consent, either Party may assign this Agreement, in whole or in part, to any of its Affiliates if such Party guarantees the performance of this Agreement by such Affiliate, or to a successor to all or substantially all of the assets or business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or other similar transaction. Any assignment in violation of this provision is void and without effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns.

17.11 Notices. All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, in English, and will be deemed to have been duly given only if delivered personally, by mail (first class, postage prepaid), or by overnight delivery using a globally-recognized carrier, to the Parties at the following addresses:

Tarsus:
Tarsus Pharmaceuticals, Inc.
15440 Laguna Canyon Rd. Suite 160
Irvine, CA 92618
Attn: Bobak Azamian, MD, PhD, Chief Executive Officer

Lian:
Lian Ophthalmology
c/o Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
Cayman Islands KY1-9009
Attention: Brianne Jahn

With a copy to:
Gunderson Dettmer Stough Villeneuve Franklin and Hachigian LLP
3570 Carmel Mountain Rd, Suite 200
San Diego, CA 92130
Attn: Brendan C. McCarthy
Email: [***]

With a copy to:
Ropes & Gray LLP
36F Park Place
1601 Nanjing Road West
Shanghai, China 200040
Attention: Eric Wu and David R. Chen
Fax: 86-21-6157-5299
Email: [***] and [***]

or to such other address as the addressee shall have last furnished in writing in accord with this provision. All notices shall be deemed effective upon receipt by the addressee.

17.12 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable.

17.13 Interpretation. The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof. Except as otherwise explicitly specified to the contrary, (a) references to an Article, Section or Exhibit means an Article or Section of, or a Schedule or Exhibit to this Agreement and all subsections thereof, unless another agreement is specified; (b) references in any Section to any clause are references to such clause of such Section; (c) references to any agreement, instrument, or other document in this Agreement refer to such agreement, instrument, or other document as originally executed or, if subsequently amended, replaced, or supplemented from time to time, as so amended, replaced, or supplemented and in effect at the relevant time of reference thereto; (d) references to a particular Laws mean such Laws as in effect as of the relevant time, including all rules and regulations thereunder and any successor Laws in effect as of the relevant time, and including the then-current amendments thereto; (e) words in the singular or plural form include the plural and singular form, respectively; (f) unless the context requires a different interpretation, the word "or" has the inclusive meaning that is typically associated with the phrase "and/or"; (g) the terms "including," "include(s)," "such as," "e.g." and "for example" mean including the generality of any description preceding such term and will be deemed to be followed by "without limitation"; (h) whenever this Agreement refers to a number of days, such number will refer to calendar days unless Business Days are specified, and if a period of time is specified and dates from a given day or Business Day, or the day or Business Day of an act or event, it is to be calculated exclusive of that day or Business Day; (i) "monthly" means on a calendar month basis, (j) "quarter" or "quarterly" means on a Calendar Quarter basis; (k) "annual" or "annually" means on a Calendar Year basis; (l) "year" means a 365-day period unless Calendar Year is specified; (m) references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement; (n) the use of any gender herein will be deemed to encompass references to either or both genders, and the use of the singular will be deemed to include the plural (and vice versa); (o) a capitalized term not defined herein but reflecting a different part of speech than a capitalized term which is defined herein will be interpreted in a correlative manner; (p) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein); (q) the words "hereof," "herein," "hereby" and derivative or similar words refer to this Agreement (including any Exhibits or Schedules); (r) neither Party or its Affiliates will be deemed to be acting "on behalf of" the other Party under this Agreement, except to the extent expressly otherwise provided; (s) provisions that require that a Party, or the JSC hereunder "agree", "consent" or "approve" or the like will be deemed to require that such agreement, consent or approval be specific and in writing in a written agreement, letter or approved minutes, but, except as expressly provided herein, excluding e-mail and instant messaging; and (t) the word "shall" will be construed to have the same meaning and effect as the word "will".

17.14 Waiver. No waiver of any term or condition of this Agreement shall be effective unless set forth in a written instrument duly executed by or on behalf of the waiving Party. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any prior, concurrent or future occasion. Except as expressly set forth in this Agreement, all rights and remedies

available to a Party, whether under this Agreement or afforded by Law or otherwise, will be cumulative and not in the alternative to any other rights or remedies that may be available to such Party.

17.15 Entire Agreement. This Agreement (including the exhibits and schedules hereto) constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all previous agreements and understandings between the Parties, whether written or oral, including to all proposals, negotiations, conversations, letters of intent, memoranda of understanding or discussions, between Parties relating to the subject matter of this Agreement and all past dealing or industry custom.

17.16 Modification. This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and the clause to be modified, which amendment is signed by duly authorized representatives of Tarsus and Lian.

17.17 No Third Party Beneficiaries. None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including any creditor of either Party hereto.

17.18 Ambiguities. This Agreement shall be deemed to have been drafted jointly by both Parties; and ambiguities, if any, shall not be construed against either Party, irrespective of which Party may have actually drafted the ambiguous provision.

17.19 Counterparts. This Agreement may be executed in counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF, Tarsus and Lian, by their duly authorized officers, have executed this Agreement as of the Effective Date.

TARSUS PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

LIANBIO OPHTHALMOLOGY LIMITED

By: _____

Name: _____

Title: _____

LIANBIO
(solely for the purposes of Section 17.1)

By: _____

Name: _____

Title: _____

EXHIBIT A
INITIAL DEVELOPMENT PLAN

[***]

EXHIBIT B
TARSUS DEVELOPMENT PLAN
[***]

SCHEDULE 1.10

APPLICABLE ELANCO ROYALTY RATE PROVISIONS[***]

SCHEDULE 1.71

CERTAIN PATENTS

[***] SCHEDULE 2.6

[***]

SCHEDULE 17.4

PRESS RELEASE

[Attached]

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)) 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) 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

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

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

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

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

Date: May 11, 2021

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)) 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) 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

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

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

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

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

Date: May 11, 2021

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 March 31, 2021 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 result of operations of the Company.

Date: May 11, 2021

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 March 31, 2021 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 result of operations of the Company.

Date: May 11, 2021

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