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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 September 30, 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  
001-35342

**LUMOS PHARMA, INC.**

(Exact name of Registrant as specified in Its Charter)

**Delaware**

**42-1491350**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**4200 Marathon Blvd #200**

**Austin, Texas 78756**

**(512) 215-2630**

(Address, including zip code, and telephone number, including area code, of principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LUMO	The Nasdaq Stock 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 and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of November 1, 2021, there were 8,357,391 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

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**Lumos Pharma, Inc.**

**FORM 10-Q**

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## Forward-Looking Statements

This quarterly report on Form 10-Q for the quarter ended September 30, 2021 (this “Quarterly Report”) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements involve risks and uncertainties and reflect our current views with respect to, among other things, future events and our financial performance. When used in this report, the words “believe,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “indicate,” “seek,” “should,” “would,” and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements contain these identifying words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date of this Quarterly Report, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to those summarized below:

- the extent to which the novel strain of coronavirus, SARS-CoV-2, which causes COVID-19 (“COVID-19”) and related governmental regulations and restrictions may continue to impact our business, including our research, clinical trials, manufacturing and financial condition;
- the development plan for our product candidate, the growth hormone secretagogue ibutamoren (“LUM-201”);
- our expectations regarding the potential benefits, activity, effectiveness and safety of our product candidates;
- the development plan for our existing pipeline and potential partnership and out-licensing opportunities;
- the timing of planned preclinical studies and clinical trials and availability of clinical data from such clinical trials;
- the timing of and our ability to obtain regulatory approvals for our product candidates;
- the clinical utility of our product candidates;
- our plans to leverage our existing technologies to discover and develop additional product candidates;
- our intellectual property position;
- our ability to enter into strategic collaborations, licensing or other arrangements;
- our dependence on collaborators for developing, obtaining regulatory approval for and commercializing product candidates in the collaboration;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- plans to develop and commercialize our product candidates;
- our ability to obtain additional funds for our operations;
- the rate and degree of market acceptance of any approved product candidates;
- the commercialization of any approved product candidates;
- the implementation of our business model and strategic plans for our business, technologies and product candidates;
- our reliance on third parties to conduct our preclinical studies or any future clinical trials;
- our ability to attract and retain qualified key management and technical personnel;
- our reliance on third-party supply and manufacturing partners to supply the materials and components for, and manufacture, our research and development, preclinical and clinical trial product supplies; and
- developments relating to our competitors or our industry.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please read (1) Part I, Item 1A. “Risk Factors” in the annual report on Form 10-K for the fiscal year ended December 31, 2020 (the “2020 Annual Report”); (2) Part II, “Item 1A. Risk Factors” in this Quarterly Report; (3) our reports and registration statements filed from time to time with the Securities and Exchange Commission (the “SEC”), and (4) other public announcements we make from time to time. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

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**PART I - FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**

**Lumos Pharma, Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share data)

	September 30, 2021	December 31, 2020
<b>Assets</b>	<b>(unaudited)</b>	
Current assets:		
Cash and cash equivalents	\$ 100,650	\$ 98,679
Prepaid expenses and other current assets	4,988	3,506
Income tax receivable	116	115
Other receivables	—	26,149
Total current assets	<u>\$ 105,754</u>	<u>\$ 128,449</u>
Non-current assets:		
Property and equipment, net	75	335
Right-of-use asset	636	249
Total non-current assets	<u>711</u>	<u>584</u>
Total assets	<u>\$ 106,465</u>	<u>\$ 129,033</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 149	\$ 244
Accrued expenses	5,555	5,898
Current portion of lease liability	349	319
Total current liabilities	<u>\$ 6,053</u>	<u>\$ 6,461</u>
Long-term liabilities:		
Royalty obligation payable to Iowa Economic Development Authority	6,000	6,000
Lease liability	288	—
Total long-term liabilities	<u>6,288</u>	<u>6,000</u>
Total liabilities	<u>\$ 12,341</u>	<u>\$ 12,461</u>
Commitments and contingencies		
Stockholders' equity:		
Undesignated preferred stock, \$0.01 par value: Authorized shares - 5,000,000 at September 30, 2021 and December 31, 2020; issued and outstanding shares - 0 at September 30, 2021 and December 31, 2020	—	—
Common stock, \$0.01 par value: Authorized shares - 75,000,000 at September 30, 2021 and December 31, 2020; issued shares - 8,366,819 and 8,305,269 at September 30, 2021 and December 31, 2020, respectively, and outstanding shares - 8,357,391 and 8,305,269 at September 30, 2021 and December 31, 2020, respectively	83	83
Treasury stock, at cost, 9,428 and 0 shares at September 30, 2021 and December 31, 2020, respectively	(114)	—
Additional paid-in capital	184,935	182,480
Accumulated deficit	(90,780)	(65,991)
Total stockholders' equity	<u>\$ 94,124</u>	<u>\$ 116,572</u>
Total liabilities and stockholders' equity	<u>\$ 106,465</u>	<u>\$ 129,033</u>

See accompanying notes to condensed consolidated financial statements.

**Lumos Pharma, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(unaudited)**  
**(In thousands, except share and per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Licensing and collaboration revenue	\$ —	\$ 74	\$ 10	\$ 128
Total revenues	—	74	10	128
<b>Operating expenses:</b>				
Research and development	4,112	2,075	12,885	6,743
General and administrative	3,385	5,156	11,903	12,634
Total operating expenses	7,497	7,231	24,788	19,377
Loss from operations	(7,497)	(7,157)	(24,778)	(19,249)
<b>Other income and expense:</b>				
Other income, net	7	6,322	19	6,482
Interest income	2	168	7	246
Interest expense	—	—	(37)	(48)
Other (expense) income, net	9	6,490	(11)	6,680
Net loss before taxes	(7,488)	(667)	(24,789)	(12,569)
Income tax benefit	—	2,432	—	9,321
Net income (loss)	(7,488)	1,765	(24,789)	(3,248)
Accretion of preferred stock to current redemption value	—	—	—	(651)
Net income (loss) attributable to common shareholders	\$ (7,488)	\$ 1,765	\$ (24,789)	\$ (3,899)
<b>Net income (loss) per share of common stock</b>				
Basic	\$ (0.90)	\$ 0.21	\$ (2.97)	\$ (0.62)
Diluted	\$ (0.90)	\$ 0.21	\$ (2.97)	\$ (0.62)
<b>Weighted average number of common shares outstanding</b>				
Basic	8,357,391	8,293,312	8,333,017	6,267,576
Diluted	8,357,391	8,486,804	8,333,017	6,267,576

See accompanying notes to condensed consolidated financial statements.

**Lumos Pharma, Inc.**  
**Condensed Consolidated Statement of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
**(unaudited)**  
**(In thousands, except share data)**

	Series A Redeemable Convertible Preferred Stock		Series B Redeemable Convertible Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Amount			
Balance at December 31, 2019	978,849	\$ 21,904	1,989,616	\$ 41,631	1,177,933	\$ 12	\$ —	\$ 202	\$ (59,677)	\$ (59,463)
Accretion of preferred stock to current redemption value (pre-merger)	—	216	—	435	—	—	—	—	(651)	(651)
Issuance of common stock to former stockholders of NewLink upon merger	—	—	—	—	4,146,405	41	—	116,908	—	116,949
Conversion of preferred stock into common stock upon merger	(978,849)	(22,120)	(1,989,616)	(42,066)	2,968,465	30	—	64,156	—	64,186
Share-based compensation	—	—	—	—	—	—	—	177	—	177
Net income	—	—	—	—	—	—	—	—	340	340
Balance at March 31, 2020	—	—	—	—	8,292,803	83	—	181,443	(59,988)	121,538
Share-based compensation	—	—	—	—	—	—	—	274	—	274
Sales of shares under stock purchase plan	—	—	—	—	509	—	—	6	—	6
Net loss	—	—	—	—	—	—	—	—	(5,353)	(5,353)
Balance at June 30, 2020	—	—	—	—	8,293,312	83	—	181,723	(65,341)	116,465
Share-based compensation	—	—	—	—	—	—	—	305	—	305
Net income	—	—	—	—	—	—	—	—	1,765	1,765
Balance at September 30, 2020	—	\$ —	—	\$ —	8,293,312	\$ 83	\$ —	\$ 182,028	\$ (63,576)	\$ 118,535
Balance at December 31, 2020	—	\$ —	—	\$ —	8,305,269	\$ 83	\$ —	182,480	(65,991)	116,572
Share-based compensation	—	—	—	—	—	—	—	1,049	—	1,049
Exercise of stock options	—	—	—	—	20,362	—	—	26	—	26
Stock issued upon vesting of restricted stock units	—	—	—	—	9,939	—	—	—	—	—
Shares surrendered for tax withholding on vested awards	—	—	—	—	(3,377)	—	(44)	—	—	(44)
Net loss	—	—	—	—	—	—	—	—	(8,631)	(8,631)
Balance at March 31, 2021	—	—	—	—	8,332,193	83	(44)	183,555	(74,622)	108,972
Share-based compensation	—	—	—	—	—	—	—	846	—	846
Exercise of stock options	—	—	—	—	6,560	—	—	38	—	38
Sale of shares under stock purchase plan	—	—	—	—	695	—	—	6	—	6
Stock issued upon vesting of restricted stock units	—	—	—	—	23,994	—	—	—	—	—
Shares surrendered for tax withholding on vested awards	—	—	—	—	(6,051)	—	(70)	—	—	(70)
Net loss	—	—	—	—	—	—	—	—	(8,670)	(8,670)
Balance at June 30, 2021	—	—	—	—	8,357,391	83	(114)	184,445	(83,292)	101,122
Share-based compensation	—	—	—	—	—	—	—	490	—	490
Net loss	—	—	—	—	—	—	—	—	(7,488)	(7,488)
Balance at September 30, 2021	—	\$ —	—	\$ —	8,357,391	\$ 83	\$ (114)	\$ 184,935	\$ (90,780)	\$ 94,124

See accompanying notes to condensed consolidated financial statements.

**Lumos Pharma, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(unaudited)**  
**(In thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (24,789)	\$ (3,248)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	2,385	756
Depreciation and amortization	263	375
Gain on sale of priority review voucher	—	(6,300)
Loss on sale or disposal of fixed assets	14	—
Amortization of ROU asset and change in operating lease liability	(69)	—
In-process research and development charge	—	426
Benefit for deferred taxes	—	(4,848)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,334)	(495)
Other receivables	148	224
Accounts payable and accrued expenses	(438)	(2,907)
Net cash used in operating activities	<u>(23,820)</u>	<u>(16,017)</u>
<b>Cash Flows From Investing Activities</b>		
Cash acquired in connection with merger	—	84,179
Installment from sale of priority review voucher	26,000	32,500
Purchase of equipment	(17)	(18)
Net cash provided by investing activities	<u>25,983</u>	<u>116,661</u>
<b>Cash Flows From Financing Activities</b>		
Exercise of stock options	64	—
Payment for tax withholding on vested awards	(114)	—
Principal payments on notes payable	—	(27)
Sales of shares under stock purchase plan	6	6
Costs of common stock offering under Controlled Equity Offering <sup>SM</sup>	(148)	—
Net cash used in financing activities	<u>(192)</u>	<u>(21)</u>
Net increase in cash and cash equivalents	1,971	100,623
Cash and cash equivalents at beginning of period	98,679	4,952
Cash and cash equivalents at end of period	<u>\$ 100,650</u>	<u>\$ 105,575</u>

See accompanying notes to condensed consolidated financial statements.

**Lumos Pharma, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

## **1. Description of Business**

### ***Organization and Nature of operations***

Lumos Pharma, Inc. is a clinical-stage biopharmaceutical company. References in this Quarterly Report to “us,” “we,” “our,” “the Company,” or “Lumos” are to Lumos Pharma, Inc. and its wholly-owned subsidiaries. With our principal executive offices located in Austin, Texas and additional executive and administrative offices located in Ames, Iowa, we are engaged in advancing our clinical program and focused on identifying, acquiring, developing, and commercializing novel products and new therapies for people with rare diseases on a global level, for which there is currently a significant unmet need for safe and effective therapies. Our common stock is listed on the NASDAQ Global Market (“Nasdaq”) and trades under the ticker symbol “LUMO.”

The Company entered into a business combination (the “Merger”) between the Company, formerly known as NewLink Genetics Corporation (“NewLink”), Cyclone Merger Sub, Inc. (“Merger Sub”), a wholly owned subsidiary of NewLink, and Lumos Pharma, Inc., which has since been renamed “Lumos Pharma Sub, Inc.” (“Private Lumos”). The Merger closed on March 18, 2020, and Merger Sub merged with and into Private Lumos, with Private Lumos surviving as a wholly-owned subsidiary of the Company. Immediately prior to the closing of the Merger, the shares of NewLink common stock were adjusted with a reverse split ratio of 1-for-9. Under the terms of the Merger, Private Lumos stockholders received an aggregate of 4,146,405 shares of NewLink common stock (after giving effect to the reverse split) for each share of outstanding common stock, Series A Preferred Stock and Series B Preferred Stock of Private Lumos converted at an exchange ratio of 0.1308319305, 0.0873621142 and 0.1996348626, respectively. Immediately following the reverse stock split and the completion of the Merger, there were 8,292,803 shares of the Company’s common stock outstanding, of which approximately 50% was held by each of Private Lumos and NewLink security holders. The Merger was accounted for as a reverse asset acquisition.

After the consummation of the Merger, the combined company has focused its efforts on the development of Private Lumos’ sole product candidate, secretagogue ibutamoren (“LUM-201”), a potential oral therapy for pediatric growth hormone deficiency (“PGHD”) and other rare endocrine disorders.

### ***Liquidity and Risks***

The Company has historically devoted substantially all of its efforts toward research and development and has never earned revenue from commercial sales of its products. Management expects to continue to incur additional substantial losses in the foreseeable future as a result of the Company’s research and development activities. However, the Company believes that its existing cash and cash equivalents of approximately \$100.7 million as of September 30, 2021 will be sufficient to allow the Company to fund its operations through the primary outcome data read out of its Phase 2 clinical trial of LUM-201 in PGHD (“OraGrowth210 Trial”) for which data readout is now anticipated in the second half of 2023 and for at least 12 months from the filing date of this Quarterly Report. In addition, the Company may offer and sell from time to time through Cantor Fitzgerald & Co., as agent (the “Agent”) up to \$50.0 million of shares of its common stock under the Controlled Equity Offering<sup>SM</sup> sales agreement entered into with the Agent on December 30, 2020. If available liquidity becomes insufficient to meet the Company’s obligations as they come due, our future operations will be reliant on additional equity or financing arrangements. There can be no assurances that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its research programs and/or limit or cease its operations.

The pandemic caused by an outbreak of a novel strain of coronavirus, SARS-CoV-2, which causes COVID-19 (“COVID-19”), has resulted, and is likely to continue to result, in significant national and global economic disruption and may continue to adversely affect the Company’s operations. COVID-19 restrictions have led to a slower pace of site initiation and patient enrollment in our clinical trials that has delayed the 6-month primary outcome data read out of our OraGrowth210 Trial. While we have experienced delays to our clinical trials, we have not incurred impairment of any assets as a result of COVID-19. The extent to which these events may further impact the Company’s business, clinical development, regulatory efforts, and the value of its common stock, will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of any future impacts and disruption to the Company’s operations is uncertain,

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**Lumos Pharma, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

and the Company will continue to evaluate the impact that these events could have on the operations, financial position, and the results of operations and cash flows during fiscal year 2021.

## **2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements**

### ***Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of Lumos and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). All significant intercompany accounts and transactions are eliminated in consolidation.

### ***Basis of Presentation***

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments of a normal and recurring nature considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The results of operations for the interim period are not necessarily indicative of the results that will be realized for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and accompanying notes thereto included in the Company’s 2020 Annual Report filed on Form 10-K with the SEC on March 9, 2021.

### ***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company’s financial statements and accompanying notes. Significant management estimates that affect the reported amounts of assets and liabilities include stock-based compensation, accruals for clinical trials and deferred tax assets. While we believe that the estimates and assumptions used in preparation of our condensed consolidated financial statements based on our knowledge of current events and actions that we may undertake in the future are appropriate, actual results could differ from those estimates, and any such differences may be material.

As of September 30, 2021, the Company’s significant accounting policies are consistent with those discussed in Note 2 - “Summary of Significant Accounting Policies and Recent Accounting Pronouncements” of its consolidated financial statements included in the Company’s 2020 Annual Report filed on Form 10-K with the SEC on March 9, 2021.

### ***Recently Issued Accounting Standards***

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies and adopted by us as of a specified effective date, if applicable to us.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (“ASC 740”)*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for calendar-year public business entities in 2021 and interim periods within that year. The Company adopted ASU 2019-12 as of January 1, 2021. The adoption of this new guidance did not have any impact on the Company’s financial position or results of operations.

## **3. NewLink Merger**

The Company completed the Merger on March 18, 2020. The Merger was accounted for as a reverse asset acquisition as NewLink did not meet the definition of a business pursuant to Topic 805, *Business Combinations*, because NewLink did not have the ability to generate outputs. Private Lumos was deemed to be the accounting acquirer because immediately following the Merger: (i) Lumos stockholders owned approximately 50% of outstanding common stock of the Company, (ii) the board of directors of the Company (the “Board”) consisted of three members designated by Private Lumos, three members designated by

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**Lumos Pharma, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

NewLink and a seventh independent member unanimously appointed by the Board and (iii) the Company is led by Private Lumos' current chief executive officer and chief scientific officer, with other current members of senior management from both Private Lumos and NewLink.

For accounting purposes: (i) the assets acquired and liabilities assumed were recorded based on their estimated fair values on the Merger date, (ii) the reported historical operating results of the combined company prior to the Merger were those of Private Lumos and not of NewLink after retroactively giving effect to the common stock exchange ratio, reverse stock split and change in par value for all periods presented, and (iii) for periods prior to the transaction, shareholders' authorized capital of the combined company is presented based on the historical authorized capital of NewLink.

As the fair value of the NewLink net assets acquired, including the intangible assets of the priority review voucher ("PRV") and in-process research and development ("IPR&D") not previously reflected on NewLink's balance sheet, were more clearly evident, fair valuing the net assets was determined to be a more reliable approach in determining the cost of net assets acquired. Except for the items noted herein, the fair value of the net assets acquired were determined to be the carrying value due to their short-term nature and ability to convert to cash. Based on most current observable inputs and trends in the market of the PRVs, we determined an estimated transaction price of the acquired PRV under the precedent transaction method to be \$95.0 million, which was the observed median guideline in the range of publicly disclosed transactions of \$80.0 million to \$111.0 million from 2018 and through 2020. We applied a present value factor and estimated selling costs to the estimated transaction price to arrive at a fair value of the PRV. The PRV was recorded at an asset value of \$87.9 million along with a corresponding liability due to Merck Sharp & Dohme Corp. ("Merck") of \$35.7 million. In addition, the Company recorded a deferred tax liability of \$9.5 million on March 18, 2020 for the step up in book basis over tax basis for the net value of the PRV. The PRV was sold on July 27, 2020. The Company recorded a \$9.5 million tax benefit for tax losses for the year ended December 31, 2020, and certain historical tax attributes realized as of the date of the Merger, both of which benefited from the deferred tax liability recorded for the step up in book basis over tax basis for the net value of the PRV. The fair value assigned to the acquired IPR&D was estimated based on the estimated expected net proceeds from the sales of these assets as intellectual property. As these assets were no longer being actively pursued in further clinical development by the Company, the IPR&D fair value of \$426,000 was expensed to research and development expenses in the Statement of Operations for the three months ended March 31, 2020.

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**Lumos Pharma, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed on March 18, 2020, the date of the Merger (in thousands):

<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 84,179
Prepaid and other current assets	2,999
Income tax receivable	192
Property and equipment	1,020
Economic interest in PRV	87,920
Other intangible assets	426
Other non-current assets	517
<b>Total Assets Acquired</b>	<b>177,253</b>
<b>Liabilities assumed:</b>	
Accounts payable	285
Accrued expenses and other current liabilities	8,788
PRV-related liability owed to Merck	35,720
Royalty obligation payable to Iowa Economics Development Authority	6,000
Deferred tax liability	9,500
Other long-term liabilities	12
<b>Total liabilities assumed</b>	<b>60,305</b>
<b>Total net assets acquired</b>	<b>\$ 116,948</b>

#### 4. License and Asset Purchase Agreements

##### *License and LUM-201 Asset Purchase Agreements*

In July 2018, the Company entered into an asset purchase agreement (the “APA”) with Ammonett and acquired substantially all of the assets related to LUM-201, which Ammonett licensed from Merck in October 2013 (the “Lumos Merck Agreement”).

The Lumos Merck Agreement, which grants Lumos (as successor in interest to Ammonett) worldwide, exclusive, sublicensable (subject to Merck’s consent in the United States, major European countries and Japan, such consent not to be unreasonably withheld) rights under specified patents and know-how to develop, manufacture and commercialize LUM-201 for any and all indications, excluding Autism Spectrum Disorders as defined in the Fifth Edition of the Diagnostic and Statistical Manual of Mental Disorders.

On August 12, 2020, Lumos entered into Amendment No. 1 to the Lumos Merck Agreement with Merck (the “Lumos Merck Agreement Amendment”). Pursuant to the Lumos Merck Agreement Amendment, Lumos obtained from Merck a worldwide, non-exclusive, sublicensable (subject to Merck’s consent in the United States, specified major European countries and Japan, such consent not to be unreasonably withheld) license under the specified patents and know-how that are the subject of Lumos’ exclusive license to develop, manufacture and commercialize LUM-201 for diagnostic and therapeutic purposes, excluding Autism Spectrum Disorders.

Under the APA, the Company paid Ammonett an upfront fee of \$3.5 million which was recorded as research and development expense in 2018. The Company may also incur development milestone payments totaling up to \$17.0 million for achievement of specified milestones on the first indication that Lumos pursues, up to \$14.0 million for achievements of

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specified milestones on the second indication that Lumos pursues, sales milestone payments totaling up to \$55.0 million on worldwide product sales, and royalty payments based on worldwide product sales, as discussed below.

Under the Lumos Merck Agreement, Lumos will be required to pay Merck substantial development milestone payments for achievement of specified milestones relating to each of the first and second indications. Total potential development milestone payments are required up to \$14.0 million for the first indication that Lumos pursues and up to \$8.5 million for the second indication that Lumos pursues. Tiered sales milestone payments totaling up to \$80.0 million are required on worldwide net product sales up to \$1.0 billion, and substantial royalty payments based on product sales are required if product sales are achieved.

If product sales are ever achieved, Lumos is required to make royalty payments under both the APA and the Lumos Merck Agreement collectively of 10% to 12% of total annual product net sales, subject to standard reductions for generic erosion. The royalty obligations under the Lumos Merck Agreement are on a product-by-product and country-by-country basis and will last until the later of expiration of the last licensed patent covering the product in such country and expiration of regulatory exclusivity for such product in such country. The royalty obligations under the APA are on a product-by-product and country-by-country basis for the duration of the royalty obligations under the Merck License and thereafter until the expiration of the last patent assigned to Lumos under the APA covering such product in such country.

The Lumos Merck Agreement shall continue in force until the expiration of royalty obligations on a country-by-country and product-by-product basis, or unless terminated by Lumos at will by submitting 180 days' advance written notice to Merck or by either party for the other party's uncured material breach or specified bankruptcy events. Upon expiry of the royalty obligations the Lumos Merck Agreement converts to a fully paid, perpetual non-exclusive license.

If the Lumos Merck Agreement is terminated, and upon Merck's written request, Lumos is obligated to use reasonable and diligent efforts to assign to Merck any sublicenses previously granted by Lumos.

#### ***License and PRV Asset Purchase Agreements***

In November 2014, NewLink entered into a worldwide license and collaboration agreement (the "NewLink Merck Agreement"), with Merck, to develop and potentially commercialize its Ebola vaccine rVSVΔG-ZEBOV that it licensed from the Public Health Agency of Canada ("PHAC"). rVSVΔG-ZEBOV was also eligible to receive a PRV if approval was granted by the U.S. Food and Drug Administration (the "FDA"), with the Company entitled to 60% and Merck entitled to the remaining 40% of the PRV value obtained through sale, transfer or other disposition of the PRV. On December 20, 2019, Merck announced that the FDA approved its application for ERVEBO® (Ebola Zaire Vaccine, Live) for the prevention of disease caused by Zaire Ebola virus in individuals 18 years of age and older.

On July 27, 2020, Lumos and Merck entered into the asset purchase agreement (the "PRV Asset Purchase Agreement"), whereby Lumos and Merck each agreed that Merck would purchase the PRV from the Company for \$100.0 million. Merck agreed to pay the Company \$60 million, representing its share of the purchase price in two installments. The \$35.7 million liability, representing the portion of the PRV value to which Merck was entitled, was also extinguished through the PRV Asset Purchase Agreement. The first installment of \$34.0 million was received by the Company at the closing on July 27, 2020 and the final installment of \$26.0 million was received on January 11, 2021. The Company recognized a gain of \$6.3 million, net of \$1.5 million in costs incurred, from the sale of the PRV and such gain was recorded within other income, net on the condensed consolidated statements of operations for the three months ended September 30, 2020.

Under the NewLink Merck Agreement, as amended, the Company has the potential to earn royalties on sales of the vaccine in certain countries, if the vaccine is successfully commercialized by Merck. However, we believe that the market for the vaccine will be limited primarily to areas in the developing world that are excluded from royalty payment or where the vaccine is donated or sold at low or no margin, and therefore we do not expect to receive material royalty payments from Merck in the foreseeable future. For the three and nine months ended September 30, 2021 and 2020, the Company recognized revenues of \$0, \$10,000, \$74,000 and \$128,000, respectively, for work the Company performed in relation to ERVEBO®, as a subcontractor of Merck.

#### **5. Leases**

The Company has certain facility leases with non-cancellable terms ranging up-to two years, with certain renewal options.

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The Company records lease liabilities based on the present value of lease payments over the lease term using an incremental borrowing rate to discount its lease liabilities, as the rate implicit in the lease is typically not readily determinable. To compute the present value of the lease liability, the Company used a weighted-average discount rate of 3%. Certain lease agreements include renewal options that are under the Company's control. The Company includes optional renewal periods in the lease term only when it is reasonably certain that the Company will exercise its option. The weighted-average remaining lease term as of September 30, 2021 is 1.77 years.

The Company does not separate lease components from non-lease components. Variable lease payments include payments to lessors for taxes, maintenance, insurance and other operating costs as well as payments that are adjusted based on an index or rate. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

Future minimum lease payments under the non-cancellable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2021 are as follows (in thousands), excluding option renewals:

<b>As of September 30, 2021:</b>	
2021	\$ 83
2022	337
2023	236
Total future minimum lease payments	656
Less: Imputed interest	(19)
Total	<u>\$ 637</u>

## 6. Stock-Based Compensation and Employee Benefit Plans

### *Stock Options and Performance Stock Options*

In 2012, Private Lumos adopted the 2012 Equity Incentive Plan ("2012 Plan"), and in 2016 it adopted the 2016 Stock Plan ("2016 Plan" and together with the 2012 Plan, the "Plans"). In connection with the Merger, all outstanding options under the Plans were assumed and such assumed options may be exercised to purchase common stock of the Company after the Merger. Subsequent to the Merger, the Plans were terminated as to future awards.

In connection with the Merger, the Company assumed NewLink's 2009 Equity Incentive Plan which was effective since July 2009 and was subsequently amended on May 9, 2019 (the "2019 Plan"). The 2019 Plan has a 10 year term from the Board adoption date of March 22, 2019 and on January 1 of each year through January 1, 2029, in accordance with an "evergreen provision", a number of shares of common stock in an amount equal to 3% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year or such lesser amount of shares (or no shares) approved by the Board, will be added to the shares reserved under the 2019 Plan. The 2019 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards and stock appreciation rights to officers, employees, members of the Board, advisors, and consultants to the Company. As of September 30, 2021, we had 433,761 shares available for grant under the 2019 Plan.

In connection with the Merger, the Company re-valued the assumed stock options, and it did not result in a material incremental expense for the three and nine months ended September 30, 2020.

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The table below summarizes the stock option activity, including options with market and performance conditions, during the nine months ended September 30, 2021:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period	958,945	\$ 9.59	7.5
Options granted	361,844	14.75	
Options exercised	(26,922)	2.40	
Options forfeited	(23,101)	13.04	
Options expired	(47,786)	16.57	
Outstanding at end of period	<u>1,222,980</u>	\$ 10.94	7.3
Options exercisable at end of period	<u>610,911</u>	\$ 10.28	6.0

The weighted-average assumptions used to value the stock options using the Black-Scholes option-pricing (January 1, 2021 through September 30, 2021) were as follows:

Risk-free interest rate	0.56% to 1.03%
Expected dividend yield	—%
Expected volatility	77.2% to 90.3%
Expected term (in years)	5.4 to 7.7
Weighted-average grant-date fair value per share	\$10.80

#### **2010 Non-Employee Directors' Stock Award Plan**

In connection with the Merger, the Company assumed NewLink's 2010 Non-Employee Directors' Stock Award Plan, as amended (the "Directors' Plan") which was effective on November 10, 2011. As of September 30, 2021, 5,624 shares remain available for grant under the Directors' Plan.

#### **2010 Employee Stock Purchase Plan**

In connection with the Merger, the Company assumed NewLink's 2010 Employee Stock Purchase Plan, as amended (the "2010 Purchase Plan"), which was effective on November 10, 2011. As of September 30, 2021, 60,000 shares remain available for issuance under the 2010 Purchase Plan. On July 22, 2021, the Board approved an amendment and restatement of the 2010 Purchase Plan (the "A&R ESPP"), and established a special offering period under the A&R ESPP beginning September 1, 2021 and lasting until June 30, 2023, subject to restart provisions as described within the A&R ESPP. The A&R ESPP is fully contingent upon stockholder approval at the 2022 Annual Meeting of Stockholders. The A&R ESPP provides for an increase in the number of shares reserved for issuance under the A&R ESPP by 60,000 shares. The purchase rights granted to employees for the special offering period under the A&R ESPP are exercisable only if the Company's shareholders approve the A&R ESPP at the Company's 2022 Annual Meeting of Stockholders.

#### **Restricted Stock Units**

The table below summarizes the restricted stock units activity during the nine months ended September 30, 2021:

	Number of restricted shares	Weighted average grant date fair value
Unvested at beginning of period	73,754	\$ 7.86
Granted	41,903	10.32
Vested	(33,933)	8.39
Forfeited/cancelled	(709)	7.78
Unvested at end of period	<u>81,015</u>	\$ 8.91

#### **Share-Based Compensation Expense**

Stock-based compensation expenses included in the Company's condensed consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020 were (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research and development	\$ 120	\$ 10	\$ 675	\$ 75
General and administrative	370	295	1,710	681
Total	<u>\$ 490</u>	<u>\$ 305</u>	<u>\$ 2,385</u>	<u>\$ 756</u>

As of September 30, 2021, we had unrecognized compensation cost of \$4.9 million and the weighted-average period over which it is expected to be recognized is 2.8 years.

#### **7. Long-Term Debt and Conversion to Royalty Obligation**

In March 2005, NewLink entered into a \$6.0 million forgivable loan agreement with the Iowa Department of Economic Development (the “IDED”). Under the agreement, in the absence of default, there were no principal or interest payments due until the completion date for the project. This loan was converted into a royalty obligation under the terms of a settlement agreement entered into on March 26, 2012 (the “IEDA Agreement”), with the Iowa Economic Development Authority (the “IEDA”), as successor in interest to the IDED. Under the terms of the IEDA Agreement the Company agreed to pay a 0.5% royalty on future product sales up to a cap of \$6.8 million. As no payments are expected in the next 12 months, the entire royalty obligation of \$6.0 million, which we assumed in connection with the Merger, is considered as long-term liability as of September 30, 2021.

## 8. Income Taxes

For the three and nine months ended September 30, 2021, the Company recorded no income tax benefit. For the three and nine months ended September 30, 2020, the Company recorded an income tax benefit of \$2.4 million and \$9.3 million, respectively. The income tax benefit is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Current tax benefit	\$ —	\$ —	\$ —	\$ 4,473
Deferred tax benefit	—	2,432	—	4,848
Total income tax benefit	\$ —	\$ 2,432	\$ —	\$ 9,321

On March 25, 2020, in response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law to provide emergency assistance to affected individuals, families, and businesses. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior

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and future utilization of net operating losses. The CARES Act amends the net operating losses ("NOLs") provisions of the Tax Cut and Jobs Act of 2017 (the "Tax Act"), providing for a five year carryback for NOLs generated in tax years beginning after December 31, 2017 and before January 1, 2021. A tax benefit of \$4.5 million related to pre-tax NOLs was carried back to each of the five taxable years to fully offset taxable income with a receivable recorded for this amount as of March 31, 2020. The Company received the full refund in July 2020.

The income tax amount for the three and nine months ended September 30, 2021 differs from the amount that would be expected after applying the statutory U.S. federal income tax rate primarily due to an increase in the valuation allowance. The income tax amount for the three and nine months ended September 30, 2020 differs from the amount that would be expected after applying the statutory U.S. federal income tax rate primarily due to the benefit of \$4.5 million recorded as a result of the CARES Act. Additionally, the income tax benefit for the three and nine months ended September 30, 2020 includes \$2.4 million and \$4.8 million, respectively, for the release of the valuation allowance related to Private Lumos NOLs and a current period benefit for losses the Company anticipated would be offset by future income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Due to the uncertainty of the Company's ability to realize the benefit of the deferred tax assets, the net deferred tax assets are fully offset by a valuation allowance at September 30, 2021.

Based on Section 382 ownership change analyses through March 18, 2020, as a result of the Merger, both historical NewLink and Private Lumos experienced Section 382 ownership changes on March 18, 2020. These ownership changes limit our ability to utilize federal net operating loss carryforwards and certain other tax attributes that accrued prior to the respective ownership changes of us and our subsidiaries and may continue to limit our ability to utilize such attributes in the future.

The Company has a reserve for uncertain tax positions related to state tax matters of \$1.2 million as of September 30, 2021 recorded within accrued expenses in the condensed consolidated balance sheets, which includes the accrual of interest and penalties. This reserve is expected to be released in the fourth quarter of 2021 due to the statute of limitations expiring in October 2021.

#### **9. Net Income (Loss) per Share of Common Stock**

Basic income (loss) per share is based upon the weighted-average number of shares of common stock outstanding during the period, without consideration of common stock equivalents. Diluted income (loss) per share is based upon the weighted-average number of common shares outstanding during the period plus additional weighted-average potentially dilutive common stock equivalents during the period when the effect is dilutive.

The following table presents the computation of basic and diluted income (loss) per share of common stock (in thousands, except share and per share data) and the number of un-exercised stock options and restricted stock units, which are common stock equivalents, that have been excluded from the diluted net income (loss) calculation when their effect would have been anti-dilutive for the period.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (7,488)	\$ 1,765	\$ (24,789)	\$ (3,248)
Accretion of preferred stock to current redemption value	—	—	—	(651)
Net income (loss) attributable to common shareholders	<u>\$ (7,488)</u>	<u>\$ 1,765</u>	<u>\$ (24,789)</u>	<u>\$ (3,899)</u>
Weighted-average shares outstanding - Basic	8,357,391	8,293,312	8,333,017	6,267,576
Add: dilutive effect of stock options and restricted stock units	—	193,492	—	—
Weighted-average shares outstanding - Diluted	<u>8,357,391</u>	<u>8,486,804</u>	<u>8,333,017</u>	<u>6,267,576</u>
Net income (loss) per share - Basic and diluted	<u>\$ (0.90)</u>	<u>\$ 0.21</u>	<u>\$ (2.97)</u>	<u>\$ (0.62)</u>
Anti-dilutive stock options	1,222,980	394,672	1,222,980	1,029,030
Anti-dilutive restricted stock units	81,015	—	81,015	73,754
Total anti-dilutive common stock equivalents excluded	<u>1,303,995</u>	<u>394,672</u>	<u>1,303,995</u>	<u>1,102,784</u>

### 10. Restructuring and Severance Charges

On September 30, 2019, prior to the Merger, NewLink adopted a restructuring plan to reduce its headcount by approximately 60%, which consisted primarily of clinical and research and development staff, and made several changes to senior leadership in order to conserve resources.

In conjunction with the restructuring and departure of former NewLink executives, NewLink recorded restructuring and severance charges of \$5.6 million during the year ended December 31, 2019. The following table shows the amount accrued for restructuring activities which is recorded within accrued expenses in the condensed consolidated balance sheets (in thousands):

	Total Employee Severance Cost
NewLink's accrued balance as of December 31, 2020	\$ 59
Expensed	—
Cash payments	59
Balance as of September 30, 2021	<u>\$ —</u>

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On February 4, 2021, Eugene P. Kennedy, M.D., notified the Company that he would be resigning from his position as the Company's Chief Medical Officer effective March 6, 2021. As per the terms of Dr. Kennedy's employment agreement relating to change in control benefits, the Company paid approximately \$0.7 million in severance expenses recognized during the three months ended March 31, 2021 and accelerated vesting of all non-vested equity awards. For the three months ended March 31, 2021, we recognized additional stock compensation expense of approximately \$0.7 million due to accelerated vesting of all non-vested equity awards held by Dr. Kennedy.

On April 16, 2021, Carl W. Langren notified the Company that he would be retiring from his position as the Company's Chief Financial Officer effective June 30, 2021. Mr. Langren's resignation in connection with his retirement was effective June 30, 2021. As per the terms of Mr. Langren's employment agreement relating to change in control benefits, the Company will pay approximately \$0.9 million, accelerate vesting of all non-vested equity awards and allow for a twenty-four month extension of the exercise period after the separation date to exercise any vested equity awards. For the three months ended June 30, 2021, we recognized additional stock compensation expense of approximately \$0.4 million due to accelerated vesting of all non-vested equity awards held by Mr. Langren. Final payment of accrued severance compensation of \$0.9 million will be paid in the fourth quarter of 2021.

## **11. Commitments and Contingencies**

From time to time, claims are asserted against the Company arising in the ordinary course of business. In the opinion of management, liabilities, if any, arising from existing claims are not expected to have a material effect on the Company's earnings, financial position, or liquidity.

On or about May 12, 2016, Trevor Abramson filed a putative securities class action lawsuit in the United States District Court for the Southern District of New York (the "Court for the Southern District of NY"), captioned *Abramson v. NewLink Genetics Corp., et al.*, Case 1:16-cv-3545 (the "Securities Action"). Subsequently, the Court for the Southern District of NY appointed Michael and Kelly Nguyen as lead plaintiffs and approved their selection of Kahn, Swick & Foti, LLC as lead counsel in the Securities Action. On October 31, 2016, the lead plaintiffs filed an amended complaint asserting claims under the federal securities laws against the Company, the Company's former Chief Executive Officer Charles J. Link, Jr., and the Company's former Chief Medical Officer and President Nicholas Vahanian, (collectively, the "Defendants"). The amended complaint alleges the Defendants made material false and/or misleading statements that caused losses to the Company's investors. The Defendants filed a motion to dismiss the amended complaint on July 14, 2017. On March 29, 2018, the Court for the Southern District of NY dismissed the amended complaint for failure to state a claim, without prejudice, and gave the lead plaintiffs until May 4, 2018 to file any amended complaint attempting to remedy the defects in their claims. On May 4, 2018, the lead plaintiffs filed a second amended complaint asserting claims under the federal securities laws against the Defendants. Like the first amended complaint, the second amended complaint alleges that the Defendants made material false and/or misleading statements or omissions relating to the Phase 2 and 3 trials and efficacy of the product candidate algenpantucel-L that caused losses to the Company's investors. The lead plaintiffs do not quantify any alleged damages in the second amended complaint but, in addition to attorneys' fees and costs, they sought to recover damages on behalf of themselves and other persons who purchased or otherwise acquired the Company's stock during the putative class period of September 17, 2013 through May 9, 2016, inclusive, at allegedly inflated prices and purportedly suffered financial harm as a result. The Defendants filed a motion to dismiss the second amended complaint on July 31, 2018. On February 13, 2019, the Court for the Southern District of NY dismissed the second amended complaint for failure to state a claim, with prejudice, and closed the case. On March 14, 2019, lead plaintiffs filed a notice of appeal. The briefing on lead plaintiffs' appeal was completed in early July 2019 and oral argument before the Second Circuit Court of Appeals was held on October 21, 2019. In an opinion dated July 13, 2020, the Second Circuit Court of Appeals affirmed the district court's dismissal of the second amended complaint in part, vacated the district court's dismissal of the second amended complaint in part, and remanded the matter to the district court for further proceedings. On August 6, 2020, the Defendants filed a Petition for Rehearing en banc requesting reconsideration of portions of the opinion from the Second Circuit Court of Appeals. The Second Circuit Court of Appeals denied the Petition on September 8, 2020 and issued a mandate to the Court for the Southern District of NY on September 15, 2020.

On December 16, 2020, the Company reached a settlement in principle to fully resolve the Securities Action, and on February 1, 2021, a motion for preliminary approval of the settlement was filed in the Court for the Southern District of NY. On February 25, 2021 the Court for the Southern District of NY denied the motion for preliminary approval and directed the parties to re-submit the motion with certain revisions. On March 24, 2021 the parties re-submitted the motion for preliminary approval,

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which the Court for the Southern District of NY granted on April 2, 2021. The parties' agreement provides in part for a \$13.5 million settlement payment in exchange for the dismissal and a release of all claims against the Defendants in connection with the Securities Action. The full amount of the settlement payment was paid by the Company's insurance provider under its insurance policy. The terms of the settlement and the final plan of allocation of settlement proceeds was approved by the Court for the Southern District of NY on September 22, 2021. On that date, the Court for the Southern District of NY dismissed the Securities Action with prejudice and released all of the claims against the Defendants in connection with the Securities Action.

On or about April 26, 2017, Ronald Morrow filed a shareholder derivative lawsuit on behalf of the Company in the Court for the Southern District of NY, against the Company's former Chief Executive Officer Charles J. Link, Jr., the Company's former Chief Medical Officer and President Nicholas Vahanian, and the Company directors Thomas A. Raffin, Joseph Saluri, Ernest J. Talarico, III, Paul R. Edick, Paolo Pucci, and Lota S. Zoth (collectively, the "Morrow Defendants"), captioned *Morrow v. Link, et al.*, Case 1:17-cv-03039 (the "Morrow Action"). The complaint alleges that the Morrow Defendants caused the Company to issue false statements in its 2016 proxy statement regarding risk management and compensation matters in violation of federal securities laws. The complaint also asserts state law claims against the Morrow Defendants for breaches of fiduciary duties, unjust enrichment, abuse of control, insider trading, gross mismanagement, and corporate waste, alleging that the Morrow Defendants made material misstatements or omissions related to the Phase 2 and 3 trials and efficacy of the product candidate algenpantucel-L, awarded themselves excessive compensation, engaged in illegal insider trading, and grossly mismanaged the Company. The plaintiff does not quantify any alleged damages in the complaint but seeks restitution for damages to the Company, attorneys' fees, costs, and expenses, as well as an order directing that proposals for strengthening board oversight be put to a vote of Company's shareholders. The language for such proposals is not specified in the complaint. The plaintiff also contemporaneously filed a statement of relatedness, informing the Court for the Southern District of NY that the Morrow Action is related to the Securities Action. On May 19, 2017, the plaintiff dismissed the Morrow Action without prejudice. Also on May 19, 2017, plaintiffs' counsel in the Morrow Action filed a new shareholder derivative complaint that is substantively identical to the Morrow Action, except that the plaintiff is Rickey Ely. The latter action is captioned *Ely v. Link, et al.*, Case 17-cv-3799 (the "Ely Action"). By agreement of the parties and orders dated June 26, 2017 and March 20, 2019, the Court for the Southern District of NY temporarily stayed the Ely Action until the Securities Action is dismissed or otherwise finally resolved.

On December 11, 2020, the Company reached a settlement in principle to resolve the substantive claims asserted in the Ely Action, and on February 26, 2021, the Company reached an agreement with the plaintiff with respect to an award for plaintiff's counsel's attorneys' fees and expenses in the total amount of \$375,000. In addition to this award for fees and expenses, the parties' agreement provides for the adoption and/or enactment of certain corporate governance reforms at both the Board of Directors and management levels, in exchange for the dismissal and a release of all claims against the Defendants in connection with the Ely Action. On June 3, 2021, a motion for preliminary approval of the settlement was filed in the Court for the Southern District of NY. On August 10, 2021, the Court for the Southern District of NY granted the motion for preliminary approval of the settlement. Thereafter, the full amount of the fees and expenses award was paid by the Company's insurance provider under its insurance policy. On November 2, 2021, the Court for the Southern District of NY granted the motion for final approval of the settlement.

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## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this quarterly report on Form 10-Q for the quarter ended September 30, 2021 (this “Quarterly Report”). This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, such statements are subject to the “safe harbor” created by those sections and involve risks and uncertainties. Forward-looking statements are based on our management’s beliefs and assumptions and on information available to our management as of the date hereof. As a result of many factors, such as those set forth under “Item 1A. Risk Factors” included in our 2020 Annual Report and Part II, “Item 1A. Risk Factors” in this Quarterly Report, our actual results may differ materially from those anticipated in these forward-looking statements, accordingly, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. Such factors may be amplified by the COVID-19 pandemic and its potential impact on our business and the global economy.*

### **Overview**

Lumos Pharma, Inc. is a clinical-stage biopharmaceutical company. References in this report to “us,” “we,” “our,” “the Company,” or “Lumos” are to Lumos Pharma, Inc. and its wholly-owned subsidiaries. With our principal executive offices located in Austin, Texas and additional executive and administrative offices located in Ames, Iowa, we are engaged in advancing our clinical program and focused on identifying, acquiring, developing, and commercialization of novel products and new therapies for people with rare diseases on a global level, for which there is currently a significant unmet need for safe and effective therapies. Our common stock is listed on the NASDAQ Select Market (“Nasdaq”) and trades under the ticker symbol “LUMO”.

We entered into a business combination (the “Merger”) between the Company, formerly known as NewLink Genetics Corporation (“NewLink”), Cyclone Merger Sub, Inc. (“Merger Sub”), a wholly owned subsidiary of NewLink, and Lumos Pharma, Inc., (“Private Lumos”), which has since been renamed “Lumos Pharma Sub, Inc.” The Merger closed on March 18, 2020, and Merger Sub merged with and into Private Lumos, with Private Lumos surviving as a wholly-owned subsidiary of the Company. Immediately prior to the closing of the Merger, the shares of NewLink common stock were adjusted with a reverse split ratio of 1-for-9. Under the terms of the Merger, Private Lumos stockholders received an aggregate of 4,146,405 shares of our common stock (after giving effect to the reverse split) for each share of outstanding common stock, Series A Preferred Stock and Series B Preferred Stock of Private Lumos converted at an exchange ratio of 0.1308319305, 0.0873621142 and 0.1996348626, respectively. Immediately following the reverse stock split and the completion of the Merger, there were 8,292,803 shares of the Company’s common stock outstanding, of which approximately 50% was held by each of Private Lumos and NewLink security holders. The Merger was accounted for as a reverse asset acquisition.

Since the consummation of the Merger, we have focused our efforts on the development of Private Lumos’ sole product candidate, LUM-201, a potential oral therapy for PGHD and other rare endocrine disorders.

PGHD is a rare endocrine disorder occurring in approximately one in 3,500 persons aged birth to 17 years. Causes of PGHD can be congenital (children are born with the condition), acquired (brain tumor, head injuries or other causes), iatrogenic (induced by medical treatment) or idiopathic (of unknown cause). Children with untreated PGHD will have significant growth failure (potential adult heights significantly less than five feet and may have abnormal body composition with decreased bone mineralization, decreased lean body mass and increased fat mass).

The main therapeutic goal in PGHD is to restore growth, enabling short children to achieve normal height and prevent complications that could involve metabolic abnormalities, cognitive deficiencies and reduced quality of life. The current standard of care for PGHD is limited to daily subcutaneous injections of rhGH with a treatment cycle lasting up to an average of seven years. Poor compliance with daily rhGH injections during treatment can result in an adverse impact on growth. The FDA recently approved a competitive treatment, Skytrofa, a once-weekly injection which would reduce the number of injections over the course of treatment for a patient, however, we believe that many providers and patients will have a preference for an orally administered treatment.

### **LUM-201 Growth Hormone Secretagogue**

Our pipeline is focused on the development of an orally administered small molecule, LUM-201, which is a growth hormone (“GH”) secretagogue, also called ibutamoren, for rare endocrine disorders where injectable recombinant human growth hormone (“rhGH”) is currently approved. LUM-201 is a tablet formulation that will be administered once daily.

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Lumos acquired LUM-201 from Ammonett Pharma LLC (“Ammonett”) in July 2018. LUM-201 received the Orphan Drug Designation (“ODD”) in the United States and the European Union for Growth Hormone Deficiency (“GHD”) in 2017. The United States patent “Detecting and Treating Growth Hormone Deficiency” has been issued with an expiration in 2036. Other patent applications are pending in multiple jurisdictions. If approved, LUM-201 has the potential to become the first approved oral GH secretagogue to treat rare endocrine disorders associated with GH deficiencies, starting with PGHD, providing an alternative to the current standard regimen of recombinant growth hormone product injections. A secretagogue is a substance that stimulates the secretion or release of another substance. LUM-201 stimulates the release of GH and is referred to as a GH secretagogue.

LUM-201 stimulates GH via the GH secretagogue receptor, also known as the ghrelin receptor, thus providing a differentiated mechanism of action to treat some rare endocrine disorders (involving a deficiency of GH) by increasing the amplitude of endogenous, pulsatile GH secretion. LUM-201’s stimulatory effect is regulated by both circulating levels of GH and its down-stream mediator insulin-like growth factor which at supraphysiological levels feedback or negatively regulate additional release of GH from the pituitary, hence protecting against hyperstimulation of GH release. LUM-201 has been observed to stimulate endogenous GH secretion in patients who have a functional but reduced hypothalamic pituitary GH axis. We believe that a subset of patients with PGHD who have a functional but reduced hypothalamic pituitary GH axis are expected to respond to LUM-201 and represent approximately 60% of PGHD patients.

During the fourth quarter of 2020, we launched our OraGrowth Trials (as defined below) program to study the effects of LUM-201 in PGHD and initiated our Phase 2 clinical trial (“OraGrowth210 Trial” or the “Phase 2 Trial”) with the opening of the initial sites participating in this study. The OraGrowth210 Trial currently has sites enrolling in the United States, Australia, New Zealand, Poland and Ukraine with plans to activate the remaining sites in Russia and Israel by the end of 2021. We currently anticipate the primary outcome data read out for the OraGrowth210 Trial will be in the second half of 2023. In response to the FDA’s request in a letter dated July 16, 2021, we announced in July 2021 that we would extend the treatment period from six months to twelve months to gather additional efficacy data for LUM-201 in PGHD prior to starting our originally planned long-term extension trial. The extension of the treatment period will not impact the primary outcome data read out which will be based on the annualized data from the first six months of treatment. We continue to review the timing of the start of the long-term extension study in context of the OraGrowth210 Trial extension and gather the requested additional efficacy data to be reviewed by the FDA prior to initiation. We do not anticipate these protocol changes, on a stand-alone basis, will extend the time to the initiation of our Phase 3 clinical trial.

The OraGrowth210 trial is a randomized study testing three doses of LUM-201 in a parallel enrollment approach versus the current standard dose of injectable rhGH. The primary endpoint of the study is preliminary validation of our predictive enrichment marker (“PEM”) patient selection strategy as evidenced by the percentage of selected patients who grow in response to LUM-201. Secondary endpoints include selection of a pediatric dose of LUM-201 for future studies including Phase 3 and determination of the degree of repeatability of the PEM selection process in PEM positive patients screened for participation in OraGrowth210.

The coronavirus pandemic has caused pervasive interruptions to clinical trials industry-wide. Facing similar near-term impediments, we have experienced significant delays related to the pandemic as clinical sites adapt their procedures to caring for patients during a pandemic and we may experience further delays should significant pandemic related disruptions persist.

During the second quarter of 2021, we initiated our OraGrowth212 Trial in PGHD which will run in parallel with the OraGrowth210 Trial. The OraGrowth212 trial will evaluate the effects of the pharmacokinetic and pharmacodynamic (“PK/PD”) effects of LUM-201 in PGHD patients at two dose levels to confirm prior clinical data illustrating the increased pulsatile release of endogenous growth hormone unique to LUM-201 and its potential for this mechanism of action to contribute to efficacy in PGHD. OraGrowth212 is being conducted at a single specialized pediatric center with the capacity to conduct the more frequent sample acquisition and monitoring required for this type of clinical trial. Data from the OraGrowth212 Trial may be supportive in future regulatory filings; however, this trial is not required for regulatory approval of LUM-201. As we announced in July 2021, this open-label trial was extended from six months to twelve months of treatment for the patients to capture additional PK/PD and height velocity data. Given the open-label design of this trial, we have the ability to perform an interim analysis at our discretion. The PD pulsatility assessment will continue to occur at baseline and six months on therapy as planned.

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The graphic below depicts the clinical development plan for PGHD.

## LUM-201 Program Pipeline



Company plans to target other indications for LUM-201 beyond PGHD

\*In a subset of patients selected by Predictive Enrichment Markers

### Potential expansion of LUM-201 into additional endocrine indications

We continue to explore our development path to expand into additional indications for LUM-201. We are actively reviewing the pathway for LUM-201 in a certain subset of affected patients in other potential indications including Turners Syndrome, Prader Willi Syndrome, Idiopathic Short Stature and for Children Born Small for Gestational Age. Management is working towards developing the clinical plans for additional targeted indications and will provide further updates as the indications and plans are developed. Timing for the initiation of these plans will be somewhat dependent on the outcome of data developed and identification of the most efficacious dose in the OraGrowthH210 Trial and the timing of such data.

### Ebola Vaccine

In November 2014, NewLink entered into the NewLink Merck Agreement with Merck to develop and potentially commercialize its Ebola vaccine rVSVΔG-ZEBOV that it licensed from PHAC. rVSVΔG-ZEBOV was also eligible to receive a PRV if approval was granted by the FDA, with the Company entitled to 60% of the PRV value obtained through sale, transfer or other disposition of the PRV. On December 20, 2019, Merck announced that the FDA approved its application for ERVEBO® (Ebola Zaire Vaccine, Live) for the prevention of disease caused by Zaire Ebola virus in individuals 18 years of age and older. On July 27, 2020, we and Merck entered into the PRV Asset Purchase Agreement, whereby we and Merck each agreed that Merck would purchase the PRV from us for \$100.0 million. Merck paid us \$60.0 million, representing our share of the purchase price in two installments. The first installment of \$34.0 million was received by us at the closing on July 27, 2020 and the final installment of \$26.0 million was received on January 11, 2021.

We also have the potential to earn royalties on sales of the vaccine in certain countries, if the vaccine is successfully commercialized by Merck. However, we believe that the market for the vaccine will be limited primarily to areas in the developing world that are excluded from royalty payment or where the vaccine is donated or sold at low or no margin and therefore we do not expect to receive material royalty payments from Merck in the foreseeable future.

### NewLink's Legacy Oncology Candidates

In connection with the Merger, we acquired NewLink's small-molecule product candidates. These product candidates, indoximod, NLG802 (a prodrug of indoximod) and NLG919 (a direct IDO1 enzymatic inhibitor) are indoleamine-2, 3-dioxygenase pathway inhibitors.

Two U.S. patents covering both the salt and prodrug formulations of indoximod were issued in the United States on August 15, 2017 and February 19, 2019, respectively, providing exclusivity until at least 2036. We are continuing to pursue international patent coverage for these formulations in some countries, we are exploring the potential for further development and licensing opportunities and we are actively providing drug product to external collaborators conducting investigator initiated studies.

## **Financial Overview**

### ***Revenue***

We have no products approved for commercial sale and have not generated any revenue from product sales. In the future, we may generate revenue from product sales, royalties on product sales, or license fees, milestones, or other upfront payments if we enter into any collaborations or license agreements. We expect that our future revenue will fluctuate from quarter to quarter for many reasons, including the uncertain timing and amount of any such payments and sales.

### ***Research and Development Expenses***

Research and development expenses consist primarily of costs incurred to advance our product candidate, LUM-201. Our research and development expenses include internal personnel expenditures along with external research and development expenses incurred under arrangements with third parties, such as contract research and manufacturing organizations, consultants, and our scientific advisors.

We expense research and development costs as incurred. Nonrefundable advance payments for goods and services that will be used in future research and development activities are capitalized as an asset and expensed when the service has been performed or when the goods have been received. We expect our research and development expenses to increase for the foreseeable future as we continue to conduct our clinical trial programs for our product candidates develop our pipeline and pursue regulatory approval of our product candidates.

### ***General and Administrative Expenses***

General and administrative expenses consist primarily of professional fees for legal, auditing, tax and business consulting services, personnel expenses and travel costs. We expect that general and administrative expenses will increase in the future as we expand our operating activities.

## **Critical Accounting Policies and Significant Judgments and Estimates**

We have prepared our condensed consolidated financial statements in accordance with U.S. GAAP which requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, expenses. On an ongoing basis, we evaluate these estimates and judgments. We based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results could, therefore, differ materially from these estimates under different assumptions or conditions.

Management believes there have been no material changes to the critical accounting policies from those discussed in Note 2 - "Summary of Significant Accounting Policies and Recent Accounting Pronouncements" of our consolidated financial statements included in the Company's 2020 Annual Report.

## **COVID-19**

The pandemic caused by an outbreak of COVID-19 has resulted, and is likely to continue to result, in significant national and global economic disruption and may continue to adversely affect our operations. We are actively monitoring the potential impact of COVID-19, if any, on the carrying value of certain assets and our continued operations. To date, we have experienced delays related to clinical trials as clinical sites adapt their procedures to caring for patients during a pandemic, however, we have not incurred impairment of any assets as a result of COVID-19. The extent to which these events may impact our business, clinical development, regulatory efforts, and the value of our common stock, will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of these impacts and resulting disruption to our operations is uncertain and we will continue to evaluate the impact that these events could have on our operations, financial position, and results of operations and cash flows during the remainder of fiscal year 2021.

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**Results of Operations****Comparison of the Three Months Ended September 30, 2021 and 2020:**

	Three Months Ended September 30,		Change in \$ (in thousands)	Change in %
	2021	2020		
	(in thousands)			
<b>Revenues:</b>				
Licensing and collaboration revenue	\$ —	\$ 74	(74)	(100)%
<b>Total revenues</b>	<b>—</b>	<b>74</b>		
<b>Operating expenses:</b>				
Research and development	4,112	2,075	2,037	98 %
General and administrative	3,385	5,156	(1,771)	(34)%
<b>Total operating expenses</b>	<b>7,497</b>	<b>7,231</b>		
Other income, net	9	6,490	(6,481)	(100)%
Income tax benefit	—	2,432	(2,432)	(100)%
<b>Net income (loss) attributable to common shareholders</b>	<b>\$ (7,488)</b>	<b>\$ 1,765</b>		

*Revenues.* Revenues decreased by \$74,000 for the three months ended September 30, 2021 compared to the same period in 2020 primarily due to the wind-down of work we performed in relation to ERVEBO® as a subcontractor of Merck.

*Research and Development Expenses.* Research and development expenses increased by \$2.0 million for the three months ended September 30, 2021 compared to the same period in 2020 primarily due to increases of \$1.8 million in clinical trial and contract manufacturing expenses, \$0.4 million in personnel-related expenses and \$0.1 million in stock compensation expenses, offset by a decrease of \$0.3 million in supplies and other expenses.

*General and Administrative Expenses.* General and administrative expenses decreased by \$1.8 million for the three months ended September 30, 2021 as compared to the same period in 2020 primarily due to decreases of \$1.3 million in personnel-related expenses, \$0.3 million in legal, consulting and other expenses and \$0.2 million in operating expenses for insurance, rent, supplies, and depreciation.

*Other Income, net.* Other income, net decreased by \$6.5 million for the three months ended September 30, 2021 compared to the same period in 2020 primarily due to a gain of \$6.3 million recognized upon sale of the PRV in July 2020.

*Income Tax Benefit.* The income tax benefit decreased by \$2.4 million for the three months ended September 30, 2021 as compared to the same period in 2020 primarily due to anticipated taxable loss relating to operations in 2021 as compared to the benefit recorded as a result of the release of the valuation allowance relating to Private Lumos NOL carryforwards and a current tax benefit that management anticipated would be utilized in 2020.



**Comparison of the Nine Months Ended September 30, 2021 and 2020:**

	Nine Months Ended September 30,		Change in \$		Change in %	
	2021	2020	(in thousands)			
<b>Revenues:</b>						
Licensing and collaboration revenue	\$ 10	\$ 128	(118)		(92)%	
<b>Total revenues</b>	<b>10</b>	<b>128</b>				
<b>Operating expenses:</b>						
Research and development	12,885	6,743	6,142		91 %	
General and administrative	11,903	12,634	(731)		(6)%	
<b>Total operating expenses</b>	<b>24,788</b>	<b>19,377</b>				
Other (expense) income, net	(11)	6,680	(6,691)		(100)%	
Income tax benefit	—	9,321	(9,321)		(100)%	
<b>Net loss attributable to common shareholders</b>	<b>\$ (24,789)</b>	<b>\$ (3,248)</b>				

**Revenues.** Revenues decreased by \$0.1 million for the nine months ended September 30, 2021 compared to the same period in 2020 primarily due to the wind-down of work we performed in relation to ERVEBO® as a subcontractor of Merck.

**Research and Development Expenses.** Research and development expenses increased by \$6.1 million for the nine months ended September 30, 2021 compared to the same period in 2020 primarily due to increases of \$4.4 million in clinical trial and contract manufacturing expenses, \$1.3 million in personnel-related expenses and \$0.6 million in stock compensation expenses, offset by a decrease of \$0.2 million in operating expenses for supplies, depreciation and rent.

**General and Administrative Expenses.** General and administrative expenses decreased by \$0.7 million for the nine months ended September 30, 2021 as compared to the same period in 2020 primarily due to decreases of \$1.5 million in legal, consulting and other expenses, \$0.3 million in operating expenses for supplies, depreciation and rent and \$0.2 million in personnel-related expenses, offset by increases of \$1.0 million in stock compensation expenses and \$0.3 million in insurance expenses.

**Other Income, net.** Other income, net decreased by \$6.7 million for the nine months ended September 30, 2021 compared to the same period in 2020 primarily due to a gain of \$6.3 million recognized upon sale of the PRV in July 2020.

**Income Tax Benefit.** The income tax benefit decreased by \$9.3 million for the nine months ended September 30, 2021 as compared to the same period in 2020 primarily due to anticipated taxable loss relating to operations in 2021 as compared to 2020, which included recording of \$4.5 million of current tax benefit related to carry back of NOL under the CARES Act, \$3.8 million of deferred tax benefit for losses we anticipate would be offset by future income and \$1.0 million of deferred tax benefit for release of valuation allowance from Private Lumos.

**Liquidity and Capital Resources**

We have historically devoted substantially all our efforts toward research and development and have never earned revenue from commercial sales of our products. We expect to continue to incur additional substantial losses in the foreseeable future as a result of our research and development programs and from general and administrative costs associated with our operations. However, we believe that our existing cash and cash equivalents of approximately \$100.7 million as of September 30, 2021 will be sufficient to allow us to fund our operations through read out of the Phase 2b clinical trial for a subset of patients with PGHD indication under our LUM-201 product candidate and for at least 12 months from the filing date of this Quarterly Report.

We may seek to sell additional equity or debt securities or obtain a credit facility from time to time or if our available cash and cash equivalents are insufficient to satisfy our liquidity requirements or if we develop additional opportunities to do so. The sale of additional equity and debt securities may result in additional ownership dilution to our stockholders. If we raise additional funds through the issuance of debt securities or preferred stock, these securities could have rights senior to those of

our common stock and could contain covenants that would restrict our operations. We may require additional capital beyond our currently forecasted amounts. Any such required additional capital may not be available on reasonable terms, if at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research and development activities, which could harm our business.

Because of the numerous risks and uncertainties associated with the research and development of our product candidates, we are unable to estimate the exact amounts of our working capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, results, and costs of clinical trials for our product candidates, and discovery and development activities related to new product candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates;
- the cost of commercialization activities if any of our product candidates are approved for sale, including marketing, sales, facilities, and distribution costs;
- the cost of manufacturing our product candidates and any products we commercialize;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of such agreements;
- whether, and to what extent, we are required to repay our royalty obligation to IEDA;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs and the outcome of such litigation;
- the impact of public health crises such as the current COVID-19 pandemic or similar outbreaks, and
- the timing, receipt and amount of sales of, or royalties on, our future products, if any.

On December 30, 2020, we entered into a Controlled Equity Offering<sup>SM</sup> Sales Agreement (the “Sales Agreement”) with Cantor Fitzgerald & Co., as agent (the “Agent”), pursuant to which we may offer and sell from time to time through the Agent up to \$50.0 million of shares of our common stock (the “Shares”). The offering and sale of the Shares has been registered under the Securities Act. Under the Sales Agreement, the Agent may sell the Shares by any method permitted by law and deemed to be an “at-the-market” offering as defined in Rule 415(a)(4) promulgated under the Securities Act, including sales made directly on or through the Nasdaq, on any other existing trading market for the Shares, in negotiated transactions at market prices prevailing at the time of sale or at prices related to such prevailing market prices and/or any other method permitted by law. We will notify the Agent of the number of Shares to be issued, the time period during which sales are requested to be made, any limitation on the number of Shares that may be sold in any one day and any minimum price below which sales may not be made. We intend to use the net proceeds from this offering for working capital and general corporate purposes, which include, but are not limited to, expanding clinical development opportunities for our product candidate into potential additional indications, and general and administrative expenses. We may also use a portion of the net proceeds to invest in future strategic transactions to expand and diversify our product pipeline through the acquisition or licensing of product candidates or technologies that are complementary to our own. We will pay the Agent a commission of up to 3.0% of the gross sales price of the Shares sold through it under the Sales Agreement. In addition, we have agreed to reimburse certain expenses incurred by the Agent in connection with the offering. The Sales Agreement may be terminated by the Agent or by us at any time upon notice to the other party, as set forth in the Sales Agreement, or by the Agent at any time in certain circumstances, including the occurrence of a material and adverse change in our business or financial condition that makes it impractical or inadvisable to market the shares or to enforce contracts for the sale of the Shares. As of September 30, 2021, no shares have been issued under the Sales Agreement.

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**Cash Flows**

The following table sets forth the primary sources and uses of cash for each of the periods set forth below (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Net cash used in operating activities	\$ (23,820)	\$ (16,017)
Net cash provided by investing activities	25,983	116,661
Net cash used in financing activities	(192)	(21)
Net increase in cash and equivalents	\$ 1,971	\$ 100,623

For the nine months ended September 30, 2021 and 2020, our operating activities used cash of \$23.8 million and \$16.0 million, respectively. The increase was primarily due to an increase in net loss during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The increase in net loss was offset by a gain on sale of the PRV of \$6.3 million and recognition of a deferred tax benefit of \$4.8 million in the nine months ended September 30, 2020, as well as decrease in the change in working capital for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The decrease in working capital is primarily due to obligations paid out related to the Merger during the nine months ended September 30, 2020.

For the nine months ended September 30, 2021 and 2020, our investing activities provided cash of \$26.0 million and \$116.7 million, respectively. The decrease resulted from \$26.0 million in cash received towards the final installment from sale of the PRV during the nine months ended September 30, 2021 as compared to \$32.5 million in cash received towards the first installment from sale of the PRV and \$84.2 million in cash acquired in connection with the Merger during the nine months ended September 30, 2020.

For the nine months ended September 30, 2021 and 2020, our financing activities used net cash of \$192,000 and none, respectively. The cash used in financing activities relates to \$148,000 in expenses related to the common stock offering under our Controlled Equity Offering<sup>SM</sup> and a \$114,000 payment for tax withholding on vested awards offset by \$64,000 received upon the exercise of stock options and \$6,000 from sale of shares under the employee stock purchase plan.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk related to changes in interest rates. As of September 30, 2021 and December 31, 2020, we had cash and cash equivalents of \$100.7 million and \$98.7 million, respectively, consisting primarily of money market funds. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of United States interest rates. Due to the short-term duration of our investment portfolio and the low-risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our portfolio.

**ITEM 4. CONTROLS AND PROCEDURES*****Evaluation of Disclosure Controls and Procedures***

Our principal executive officer and principal financial officer have concluded, based on an evaluation of our disclosure controls and procedures (as defined in the Exchange Act, Rules 13a-15(e) or 15d-15(e)) as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 that, as of September 30, 2021, our disclosure controls and procedures were effective.

***Changes in Internal Control over Financial Reporting***

In connection with the evaluation of our internal control over financial reporting that occurred during the quarter ended September 30, 2021, which is required under the Exchange Act by paragraph (d) of Exchange Rules 13a-15 or 15d-15 (as defined in paragraph (f) of Rule 13a-15), management determined that there was no change that materially affected or is reasonably likely to materially affect internal control over financial reporting.

**Off-Balance Sheet Arrangements**

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

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 11 to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report for information related to legal proceedings.

### Item 1A. RISK FACTORS

#### SUMMARY OF RISK FACTORS

*Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this Annual Report and our other filings with the SEC before making an investment decision regarding our common stock.*

#### ***Risks Related to our Financial Condition and Capital Requirements***

- We have a limited operating history and have incurred significant losses since our inception, and we anticipate that we will continue to incur substantial and increasing losses for the foreseeable future. We have only one product candidate and no commercial sales, which, together with our limited operating history, makes it difficult to evaluate our business and assess our future viability.
- We currently have no source of product revenue and may never become profitable.
- We will need additional funds to support our operations, and such funding may not be available to us on acceptable terms, or at all, which would force us to delay, reduce or suspend our research and development programs and other operations or commercialization efforts. Raising additional capital may subject us to unfavorable terms, cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates and technologies.
- Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or our guidance.
- Our ability to use our net operating loss carryforwards and certain other tax attributes is limited by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code").

#### ***Risks Related to the Development and Commercialization of our Product Candidate***

- Our success depends heavily on the successful development, regulatory approval and commercialization of our only product candidate, LUM-201.
- The analysis that supports our basis for pursuing development of LUM-201 for PGHD is derived from data from three clinical trials conducted by Merck in the 1990s, and a post-hoc analysis of one of the trials. Various issues relating to such trials and analysis could materially adversely impact our LUM-201 clinical trial design and our future development plans.
- Because the results of preclinical testing or earlier clinical trials are not necessarily predictive of future results, LUM-201 may not have favorable results in later clinical trials or receive regulatory approval.
- If we make changes to any of our product candidates, additional clinical trials may be required resulting in additional costs and delays.
- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

#### ***Risks Related to the Operation of our Business***

- Our future success depends on our ability to retain our chief executive officer, president and other key members of our management team and to attract, retain and motivate qualified personnel.
  - We expect to expand our development, regulatory and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt its operations.
  - Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.
  - If we obtain approval to commercialize LUM-201 outside the United States, we will be subject to additional risks.
  - Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our drug development programs.
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### ***Risks Related to our Intellectual Property***

- Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and product candidates, or if the scope of the intellectual property protection is not sufficiently broad.
- We do not have composition of matter patent protection with respect to LUM-201.
- We may become involved in legal proceedings to protect or enforce our intellectual property rights, which could be expensive, time-consuming and unsuccessful.
- Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.
- If we are unable to protect the confidentiality of its trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position.

### ***Risks Related to Government Regulation***

- The regulatory approval process is expensive, time consuming and uncertain and may prevent us or our collaboration partners from obtaining approvals for the commercialization of our product candidates.
- Even if we receive regulatory approval for a product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to penalties if we fail to comply with applicable regulatory requirements.
- Failure to obtain regulatory approvals in foreign jurisdictions will prevent us from marketing our products internationally.
- Healthcare reform measures could hinder or prevent our product candidates' commercial success.
- Our relationships with healthcare professionals, clinical investigators, CROs and third party payors in connection with our current and future business activities may be subject to federal and state healthcare fraud and abuse laws, false claims laws, transparency laws, government price reporting, and health information privacy and security laws, which could expose us to, among other things, criminal sanctions, civil penalties, contractual damages, exclusion from governmental healthcare programs, reputational harm, administrative burdens and diminished profits and future earnings. If we fail to comply with healthcare regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

### ***Risks Related to Ownership of Our Common Stock***

- The market price of our common stock has declined significantly since its debut, and may continue to do so. If the price per share continues to drop, trading volume could decrease and our shares may no longer be eligible to be listed on the Nasdaq. If such a de-listing were to occur, the price of our shares may further drop and a liquid market for our common stock may no longer be available.
- Our principal stockholders and management own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.
- Our amended and restated bylaws ("Bylaws") designate the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum.
- We do not anticipate that we will pay any cash dividends in the foreseeable future.
- Provisions in our certificate of incorporation, our Bylaws or Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.

## **RISK FACTORS**

*Investing in our common stock involves significant risks, some of which are described below. In evaluating our business, investors should carefully consider the following risk factors. These risk factors contain, in addition to historical information, forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below. The order in which the following risks are presented is not intended to reflect the magnitude of the risks described. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.*

### **Risks Related to our Financial Condition and Capital Requirements**

***We have a limited operating history and have incurred significant losses since our inception, and we anticipate that we will continue to incur substantial and increasing losses for the foreseeable future. We have only one product candidate and no***

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***commercial sales, which, together with our limited operating history, makes it difficult to evaluate our business and assess our future viability.***

We are a clinical-stage biopharmaceutical company with a limited operating history. We do not have any products approved for sale, and we are currently focused on developing our product candidate, LUM-201. Evaluating our performance, viability or future success will be more difficult than if we had a longer operating history or approved products on the market. We continue to incur significant research and development and general and administrative expenses related to our operations. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval or become commercially viable. We have incurred significant operating losses in each year since our inception and expect to incur substantial and increasing losses for the foreseeable future. As of September 30, 2021, we had an accumulated deficit of \$90.8 million.

To date, we have devoted substantially all of our efforts to research and development, including clinical trials, but have not completed development of any product candidate. We anticipate that our expenses will increase substantially as we:

- continue the research and development of our product candidate, LUM-201, and any future product candidates;
- pursue clinical trials of LUM-201, including the OraGrowtH210 Trial, the OraGrowtH211 Trial and the OraGrowtH212 Trial that we initiated during the second quarter of 2021;
- seek to in-license additional product candidates and incur any future costs to develop these product candidates;
- seek regulatory approvals for LUM-201 and any future product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize LUM-201 or any future product candidates if they obtain regulatory approval, including process improvements in order to manufacture LUM-201 or any future product candidates at commercial scale; and
- enhance operational, financial and information management systems and hire more personnel, including personnel to support development of LUM-201 and any future product candidates and, if a product candidate is approved, its commercialization efforts.

To be profitable in the future, we must succeed in developing and eventually commercializing LUM-201 as well as other products with significant market potential. This will require us to be successful in a range of activities, including advancing LUM-201 and any future product candidates, completing clinical trials of these product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling those products for which we may obtain regulatory approval. We are only in the preliminary stages of some of these activities. We may not succeed in these activities and may never generate revenue that is sufficient to be profitable in the future. Even if we are profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to achieve sustained profitability would depress our value and could impair our ability to raise capital, expand our business, diversify our product candidates, market our product candidates, if approved, or continue our operations.

***We currently have no source of product revenue and may never become profitable.***

To date, we have not generated any revenues from commercial product sales, or otherwise. Even if we are able to successfully achieve regulatory approval for LUM-201 or any future product candidates, we do not know when any of these products will generate revenue from product sales. Our ability to generate revenue from product sales and achieve profitability will depend upon our ability, alone or with any future collaborators, to successfully commercialize products, including LUM-201 or any product candidates that we may develop, in-license or acquire in the future. Our ability to generate revenue from product sales from LUM-201 or any future product candidates also depends on a number of additional factors, including our or any future collaborators' ability to:

- complete development activities, including our planned Phase 2b and Phase 3 clinical trials of LUM-201, successfully and on a timely basis;
  - demonstrate the safety and efficacy of LUM-201 to the satisfaction of the FDA and obtain regulatory approval for LUM-201 and future product candidates, if any, for which there is a commercial market;
  - complete and submit applications to, and obtain regulatory approval from, foreign regulatory authorities;
  - set a commercially viable price for our products;
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- establish and maintain supply and manufacturing relationships with reliable third parties, and ensure adequate and legally compliant manufacturing of bulk drug substances and drug products to maintain that supply;
- develop a commercial organization capable of sales, marketing and distribution of any products for which we obtain marketing approval in markets where we intend to commercialize independently;
- find suitable distribution partners to help us market, sell and distribute our approved products in other markets;
- obtain coverage and adequate reimbursement from third-party payors, including government and private payors;
- achieve market acceptance of our approved products, if any;
- establish, maintain and protect our intellectual property rights and avoid third-party patent interference or patent infringement claims; and
- attract, hire and retain qualified personnel.

In addition, because of the numerous risks and uncertainties associated with pharmaceutical product development, including that LUM-201 or any future product candidates may not advance through development or achieve the endpoints of applicable clinical trials, we are unable to predict the timing or amount of increased expenses, or when or if we will be able to achieve or maintain profitability. In addition, our expenses could increase beyond expectations if we decide to or are required by the FDA or foreign regulatory authorities to perform studies or trials in addition to those that we currently anticipate. Even if we are able to complete the development and regulatory process for LUM-201 or any future product candidates, we anticipate incurring significant costs associated with commercializing these products.

Even if we are able to generate revenues from the sale of LUM-201 or any future product candidates that may be approved, we may not become profitable and may need to obtain additional funding to continue operations. 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 and be forced to reduce or shut down our operations.

***We will need additional funds to support our operations, and such funding may not be available to us on acceptable terms, or at all, which would force us to delay, reduce or suspend our research and development programs and other operations or commercialization efforts. Raising additional capital may subject us to unfavorable terms, cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates and technologies.***

The completion of the development and the potential commercialization of LUM-201 and any future product candidates, should they receive approval, will require substantial funds. Our future financing requirements will depend on many factors, some of which are beyond our control, including the following:

- the rate of progress and cost of our clinical trials;
  - the timing of, and costs involved in, seeking and obtaining approvals from the FDA and other regulatory authorities;
  - the extent of any required post-marketing approval commitments to applicable regulatory authorities;
  - developing an efficient, cost-effective, and scalable manufacturing process for LUM-201 and any future product candidates, including establishing and maintaining commercially viable supply and manufacturing relationships with third parties to obtain finished products that are appropriately packaged for sale;
  - the costs of commercialization activities if LUM-201 or any future product candidate is approved, including product sales, marketing, manufacturing and distribution;
  - the degree and rate of market acceptance of any products launched by us or future partners;
  - a continued acceptable safety profile following any marketing approval;
  - the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
  - our ability to enter into additional collaboration, licensing, commercialization or other arrangements and the terms and timing of such arrangements;
  - the emergence of competing technologies or other adverse market developments; and
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- the costs of attracting, hiring and retaining qualified personnel.

We do not have any material committed external source of funds or other support for our planned development efforts. Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to finance future cash needs through a combination of public or private equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. Additional financing may not be available to us when we need it or such additional financing may not be available on favorable terms. If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable rights to LUM-201 or any potential future product candidates, technologies, future revenue streams or research programs, or grant licenses on terms that may not be favorable to us. If we raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect its stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we are unable to obtain adequate financing when needed, we may have to delay, reduce the scope of, or suspend one or more of our clinical trials or research and development programs or our commercialization efforts.

***Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or our guidance.***

Our quarterly and annual operating results may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. From time to time, we may enter into collaboration agreements with other companies that include development funding and significant upfront and milestone payments and/or royalties. Accordingly, our revenue may depend on development funding and the achievement of development and clinical milestones under any potential future collaboration and license agreements and sales of its product candidates, if approved. These upfront and milestone payments may vary significantly from period to period and any such variance could cause a significant fluctuation in our operating results from one period to the next. In addition, we estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model and recognize the cost as an expense over the employee's requisite service period. As the variables that we use as a basis for valuing these awards change over time, the magnitude of the expense that we must recognize may vary significantly. Furthermore, our operating results may fluctuate due to a variety of other factors, many of which are outside of our control and may be difficult to predict, including the following:

- the timing and cost of, and level of investment in, research and development activities relating to LUM-201 and any future product candidates, which will change from time to time;
  - our ability to enroll patients in clinical trials and the timing of enrollment;
  - the cost of manufacturing LUM-201 and any future product candidates, which may vary depending on FDA guidelines and requirements, the quantity of production and the terms of our agreements with manufacturers;
  - expenditures that we will or may incur to acquire or develop additional product candidates and technologies;
  - the timing and outcomes of clinical trials for LUM-201 and any future product candidates or competing product candidates;
  - changes in the competitive landscape of our industry, including consolidation among our competitors or partners;
  - any delays in regulatory review or approval of LUM-201 or any of our future product candidates;
  - the level of demand for LUM-201 and any future product candidates, should they receive approval, which may fluctuate significantly and be difficult to predict;
  - the risk/benefit profile, cost and reimbursement policies with respect to our products candidates, if approved, and existing and potential future drugs that compete with our product candidates;
  - competition from existing and potential future drugs that compete with LUM-201 or any of our future product candidates;
  - our ability to commercialize LUM-201 or any future product candidate inside and outside of the United States, either independently or working with third parties;
  - our ability to establish and maintain collaborations, licensing or other arrangements;
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- our ability to adequately support future growth;
- potential unforeseen business disruptions that increase our costs or expenses;
- future accounting pronouncements or changes in our accounting policies; and
- the changing and volatile global economic environment.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of its future performance.

***Our ability to use our net operating loss carryforwards and certain other tax attributes is limited by Sections 382 and 383 of the Code.***

Sections 382 and 383 of the Code limit a corporation's ability to utilize its net operating loss carryforwards and certain other tax attributes (including research credits) to offset any future taxable income or tax if the corporation experiences a cumulative ownership change of more than 50% over any rolling three-year period. State net operating loss carryforwards (and certain other tax attributes) may be similarly limited. A Section 382 ownership change can, therefore, result in significantly greater tax liabilities than a corporation would incur in the absence of such a change, and any increased liabilities could adversely affect the corporation's business, results of operations, financial condition and cash flow.

Based on Section 382 ownership change analyses through March 18, 2020, as a result of the Merger, both historical NewLink and Private Lumos experienced Section 382 ownership changes on March 18, 2020.

These ownership changes limited our ability to utilize federal net operating loss carryforwards and certain other tax attributes that accrued prior to the respective ownership changes of us and our subsidiaries and may continue to limit our ability to utilize such attributes in the future.

Additional ownership changes may occur in the future as a result of events over which we will have little or no control, including purchases and sales of our equity by our 5% stockholders, the emergence of new 5% stockholders, additional equity offerings or redemptions of our stock or certain changes in the ownership of any of our 5% stockholders.

***Accounting pronouncements may impact our reported results of operations and financial position.***

Accounting principles generally accepted in the U.S. ("U.S. GAAP") and related implementation guidelines and interpretations can be highly complex and involve subjective judgments. Changes in these rules or their interpretation, the adoption of new pronouncements or the application of existing pronouncements to changes in our business could significantly alter our reported financial statements and results of operations.

***We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to meet compliance obligations.***

As a public company, we incur significant legal, accounting and other expenses to comply with reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as well as rules subsequently implemented by the SEC and Nasdaq. Meeting the requirements of these rules and regulations entails significant legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. Our management and other personnel devote a substantial amount of time to these compliance requirements. In addition, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our Board, our Board committees or as executive officers.

***Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our ability to produce accurate financial statements and on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to publish a report by our management on our internal control over financial reporting. To achieve compliance with Section 404, we have engaged in a process to document and evaluate our internal control over financial reporting, which has been both costly and challenging. To maintain compliance on an ongoing basis, we will need to dedicate internal resources, engage outside consultants and adopt a detailed work plan. Despite our effort, there is a risk that we will not be able to conclude that our internal control over financial reporting is

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effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***Changes in our effective income tax rate could adversely affect our results of operations in the future.***

Our effective income tax rate, as well as our relative domestic and international tax liabilities, will depend in part on the allocation of any future income among different jurisdictions. In addition, various factors may have favorable or unfavorable effects on our effective income tax rate in individual jurisdictions or in the aggregate. These factors include whether tax authorities agree with our interpretations of existing tax laws, any required accounting for stock options and other share-based compensation, changes in tax laws and rates (including the recently enacted U.S. federal income tax law changes), our future levels of research and development spending, changes in accounting standards, changes in the mix of any future earnings in the various tax jurisdictions in which we may operate, the outcome of any examinations by the U.S. Internal Revenue Service or other tax authorities, the accuracy of our estimates for unrecognized tax benefits and realization of deferred tax assets and changes in overall levels of pre-tax earnings. For example, the current administration has proposed tax reform legislation to increase the U.S. corporate income tax rate, increase U.S. taxation of international business operations and impose a global minimum tax, which could result in increased marginal corporate tax rates. A number of countries, as well as organizations such as the Organization for Economic Cooperation and Development, support the global minimum tax initiative. Such countries and organizations are also actively considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. The effect on our income tax liabilities resulting from the above-mentioned factors or other factors could have a material adverse effect on our results of operations.

**Risks Related to the Development and Commercialization of our Product Candidate**

***Our success depends heavily on the successful development, regulatory approval and commercialization of our only product candidate, LUM-201.***

We do not have any products that have gained regulatory approval. Our current clinical-stage product candidate, LUM-201, is an orally-formulated GH stimulating therapeutic for a subset of PGHD patients and potentially other endocrine disorders. As a result, our near-term prospects, including our ability to finance our operations and generate revenue, are substantially dependent on our ability to obtain regulatory approval for and, if approved, to successfully commercialize LUM-201 in a timely manner.

We cannot commercialize LUM-201 or any future product candidates in the United States without first obtaining regulatory approval for the product from the FDA, nor can we commercialize LUM-201 or any future product candidates outside of the United States without obtaining regulatory approval from comparable foreign regulatory authorities. The FDA approval process typically takes years to complete and approval is never guaranteed. Before obtaining regulatory approvals for the commercial sale of LUM-201 for a target PGHD indication or any future product candidates, we generally must demonstrate with substantial evidence gathered in preclinical and well-controlled clinical trials that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. We are pursuing the same regulatory pathway for LUM-201 followed by most of the approved rhGH products and long-acting GH products under development with LUM-201 focused on a subset of previously diagnosed PGHD patients. We intend to study treatment naïve patients by conducting trials including a six-month Phase 2b dose-finding trial and a Phase 3 clinical trial with a primary endpoint of 12 month mean height velocity that is intended to support regulatory approval. If we must conduct additional or different trials than prior rhGH products were required to complete, this could increase the amount of time and expense required for regulatory approval of LUM-201, if any. In addition, while the available growth data from published studies of approved rhGH therapy products suggest that six and 12 months mean height velocities are well correlated, it is possible that LUM-201, due to its unique properties, will produce different results. If the six months mean height velocities that we observe for LUM-201 in the planned Phase 2b Trial do not correlate to 12 month mean height velocities that we ultimately observe in any Phase 3 clinical trial that we may conduct, LUM-201 may not achieve the required primary endpoint in the Phase 3 clinical trial, and LUM-201 may not receive regulatory approval. Moreover, obtaining regulatory approval for marketing of LUM-201 in one country does not ensure we will be able to obtain regulatory approval in other countries, while a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries.

Even if LUM-201 or any of our future product candidates were to successfully obtain approval from the FDA and comparable foreign regulatory authorities, any approval might contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for LUM-201 in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to

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continue to fund its operations. Also, any regulatory approval of LUM-201 or any future product candidates, once obtained, may be withdrawn. Furthermore, even if we obtain regulatory approval for LUM-201, the commercial success of LUM-201 will depend on a number of factors, including the following:

- development of our own commercial organization or establishment of a commercial collaboration with a commercial infrastructure;
- establishment of commercially viable pricing and obtaining approval for adequate reimbursement from third-party and government payors;
- the ability of our third-party manufacturers to manufacture quantities of LUM-201 using commercially viable processes at a scale sufficient to meet anticipated demand and reduce our cost of manufacturing, and that are compliant with the FDA's cGMP;
- our success in educating physicians and patients about the benefits, administration and use of LUM-201;
- the availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competing treatments;
- the effectiveness of our own or our potential strategic collaborators' marketing, sales and distribution strategy and operations;
- acceptance of LUM-201 as safe and effective by patients, caregivers and the medical community;
- a continued acceptable safety profile of LUM-201 following approval; and
- continued compliance with our obligations in our intellectual property licenses with third parties upon favorable terms.

Many of these factors are beyond our control. If we or our commercialization collaborators are unable to successfully commercialize LUM-201, we may not be able to earn sufficient revenues to continue our business.

***The analysis that supports our basis for pursuing development of LUM-201 for PGHD is derived from data from three clinical trials conducted by Merck in the 1990s, and a post-hoc analysis of one of the trials. Various issues relating to such trials and analysis could materially adversely impact our LUM-201 clinical trial design and our future development plans.***

The probability of the Phase 2b Trial succeeding is highly dependent on the adequacy of the Phase 2b Trial design. In designing such trial, we reviewed data and analysis from three studies on LUM-201 completed by Merck in the 1990s (the "Merck Trials") and we incorporated the results of our analysis of Merck's clinical data into the design of the Phase 2b Trial. However, we could have misinterpreted or performed a flawed analysis of such data. Factors that could have affected our interpretation and analysis of the Merck Trials include:

- clinical trial procedures and statistical analysis methods may have changed since the 1990s when the Merck Trials were conducted, which limits our ability to effectively predict how changes to trial design might affect the Phase 2b Trial results;
- two of the Merck Trials were discontinued prior to completion due to lack of efficacy;
- one of the Merck Trials changed the formulation of the drug part way through the treatment naïve patient trial and for the other previously-treated patient trial the formulation change was for the entire trial, and the changed formulation was subsequently determined to have 30% to 40% less bioavailability;
- certain relevant information from the Merck Trials, including some of the source documentation for the Merck Trials, may not have been made available to us and so could not be referenced for our analysis and Phase 2b Trial design; and
- bias in small sample size and other limitations inherent in the post-hoc analysis of the Merck Trials upon which we have relied for our Phase 2b Trial design could have caused such post-hoc analysis to be unreliable.

As a result of such factors, among others, there could be flaws in the design of the Phase 2b Trial that could cause it to fail, which would materially adversely impact our business, future development plans, and prospects.

***Because the results of preclinical testing or earlier clinical trials are not necessarily predictive of future results and may not translate to other indications, LUM-201 may not have favorable results in later clinical trials or receive regulatory approval.***

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Success in preclinical testing and early clinical trials does not ensure that later clinical trials will generate adequate data to demonstrate the efficacy and safety of an investigational drug. A number of companies in the pharmaceutical and biotechnology industries, including those with greater resources and experience, have suffered significant setbacks in clinical trials, even after seeing promising results in earlier clinical trials. We do not know whether the clinical trials we are conducting, or may conduct, will demonstrate adequate efficacy and safety to result in regulatory approval to market LUM-201. Even if we believe that we have adequate data to support an application for regulatory approval to market our product candidates, the FDA, the European Union Medicines Agency (the "EMA"), or other applicable foreign regulatory authorities may not agree and may require that we conduct additional clinical trials. If later-stage clinical trials do not produce favorable results, our ability to achieve regulatory approval for LUM-201 may be adversely impacted.

There can be no assurance that LUM-201 will not exhibit new or increased safety risks in the Phase 2b Trial compared to the previously conducted Merck Trials, or, if we complete the Phase 2b Trial, in the planned Phase 3 clinical trial. Trials in additional indications may not be successful or may exhibit new or increased safety risks. In addition, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many other companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain regulatory approval for the marketing of their products.

In addition, we have not yet established the optimal dose for LUM-201. There can be no guarantee that the three dose levels currently being planned in the Phase 2b Trial will be efficacious or, if they are, whether any one will be the optimal dose. The Phase 2b Trial may not be successful in demonstrating successful patient selection with our PEM strategy or determining a dose or dose regimen of LUM-201 suitable for future development and potential marketing approval. Even if an optimal dose is established in one indication, different doses may be optimal in other indications requiring additional clinical trials to determine such optimal dosing.

***If we make changes to any of our product candidates, additional clinical trials may be required resulting in additional costs and delays.***

We have an ongoing research program to investigate potential opportunities to improve the potency, efficacy and/or safety profile of some of our product candidates through modifications to their formulations or chemical compositions. These efforts may not be successful. If a new formulation or composition appears promising, we may decide to undertake clinical development of such formulation or composition even if an existing product candidate has shown acceptable safety and efficacy in clinical trials. The nature and extent of additional clinical trials that might be required for a new formulation or composition would depend on many factors. If we were to decide to pursue clinical development of a new formulation or composition, we would incur additional costs and the timeline for potential commercialization would be delayed. There can be no assurance that any new formulation or composition would prove to be safe or effective or superior to an existing product candidate. Any delay in commercialization of a new formulation or composition may adversely affect our competitive position.

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

Because we have limited financial and managerial resources, we must focus on research programs and product candidates for the specific indications that we believe are the most scientifically and commercially promising. As a result, we have in the past determined to let certain of our development projects remain idle, including by allowing IND applications to lapse into inactive status, and we may in the future decide to forego or delay pursuit of opportunities with other product candidates or other indications that later prove to have greater scientific or commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable scientific or commercial products or profitable market opportunities. In addition, we may spend valuable time and managerial and financial resources on research programs and product candidates for specific indications that ultimately do not yield any scientifically or commercially viable products. Furthermore, our resource allocation decisions and our decisions about whether and how to develop or commercialize any particular product candidate may be based on evaluations of the scientific and commercial potential or target market for the product candidate that later prove to be materially inaccurate. If we enter into collaborations, licensing or other royalty arrangements to develop or commercialize a particular product candidate, we may relinquish valuable rights to that product candidate in situations where it would have been more advantageous for us to retain sole rights to development and commercialization.

***The outbreak of the novel strain of coronavirus, SARS-CoV-2, which causes COVID-19, has, and could continue to adversely impact our business, including our planned clinical trials.***

Public health crises such as pandemics or similar outbreaks have and could continue to adversely impact our business. In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes coronavirus disease 2019, or COVID-19. Since

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then, COVID-19 has spread worldwide, including variants, including the United States. In response to the spread of COVID-19 many of our employees are continuing their work outside of our offices.

As a result of the COVID-19 outbreak, or similar pandemics, we have experienced, and may continue to experience disruptions that could severely impact our business, manufacturing, preclinical development activities, preclinical studies and planned clinical trials, including:

- delays or difficulties in enrolling patients in clinical trials
- government shutdowns, interruption or delays in the operations of the U.S. Food and Drug Administration, other agencies and comparable foreign regulatory agencies, which may impact timelines for regulatory submission, trial initiation and regulatory approval;
- interruption or delays in our contract research organizations (“CROs”) and collaborators meeting expected deadlines or complying with regulatory requirements related to preclinical development activities, preclinical studies and planned clinical trials;
- interruptions of, or delays in receiving, materials, such as LUM-201 and recombinant human growth hormone, for our clinical trial, due to staffing shortages, productions slowdowns or stoppages and disruptions in delivery systems;
- delays or difficulties in any planned clinical site initiation, including difficulties in obtaining IRB approvals, recruiting clinical site investigators and clinical site staff;
- increased rates of patients withdrawing from any planned clinical trials following enrollment as a result of contracting COVID-19 or being forced to quarantine;
- diversion of healthcare resources away from the conduct of our preclinical development activities, preclinical studies and planned clinical trials, including the diversion of hospitals serving as any potential clinical trial sites and hospital staff supporting the conduct of our planned clinical trials;
- interruption of planned key clinical trial activities, such as clinical trial site data monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others or interruption of clinical trial subject visits and study procedures (particularly any procedures that may be deemed non-essential), which may impact the integrity of subject data and planned clinical study endpoints;
- limitations on employee or collaborator resources that would otherwise be focused on the conduct of our preclinical development activities, preclinical studies and planned clinical trials, including because of sickness of employees or their families, the desire of employees to avoid contact with large groups of people, an increased reliance on working from home or mass transit disruptions;
- reduced ability to engage with the medical and investor communities due to the cancellation of conferences scheduled throughout the year; and
- changes in clinical site procedures and requirements as well as regulatory requirements for conducting clinical trials during the pandemic.

We may be required to develop and implement additional clinical trial policies and procedures designed to help protect subjects from the COVID-19 virus. For example, in March 2020, the FDA issued a guidance, which the FDA subsequently updated, on conducting clinical trials during the pandemic, which describes a number of considerations for sponsors of clinical trials impacted by the pandemic, including the requirement to include in the clinical trial report contingency measures implemented to manage the clinical trial, and any disruption of the clinical trial as a result of the COVID-19 pandemic; a list of all subjects affected by the COVID-19-pandemic related study disruption by unique subject identifier and by investigational site and a description of how the individual’s participation was altered; and analyses and corresponding discussions that address the impact of implemented contingency measures (e.g., participant discontinuation from investigational product and/or study, alternative procedures used to collect critical safety and/or efficacy data) on the safety and efficacy results reported for the clinical trial. In June 2020, FDA also issued a guidance on good manufacturing practice considerations for responding to COVID-19 infection in employees in drug products manufacturing, including recommendations for manufacturing controls to prevent contamination of drugs. Other COVID-19 industry guidance recently issued by the FDA addresses remote interactive evaluations of drug manufacturing and bioresearch monitoring facilities; and manufacturing, supply chain, and drug and biological product inspections, among others. In view of the spread of the COVID-19 variants, the FDA may issue additional

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guidance and policies that may materially impact our business and clinical development timelines. Changes to existing policies and regulations can increase our compliance costs or delay our clinical plans

These and other factors arising from the COVID-19 pandemic could worsen or could return to countries where the pandemic has been partially contained, either of which could further adversely impact our ability to conduct preclinical development activities, preclinical studies and planned clinical trials and our business generally, and has had and could continue to have a material adverse impact on our operations and financial condition and results.

The extent to which the outbreak may continue to impact our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and actions to contain the outbreak or treat its impact, such as social distancing and quarantines or lock-downs in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

***As an organization, we have never conducted a Phase 2b or a Phase 3 clinical trial or submitted New Drug Application (an "NDA") before, and may be unsuccessful in doing so for LUM-201.***

We initiated the Phase 2b Trial in the fourth quarter of 2020 and we may need to conduct additional clinical trials before initiating our planned Phase 3 clinical trial. If the Phase 2b Trial is successful, we intend to independently conduct a Phase 3 clinical trial of LUM-201. To conduct a Phase 3 clinical trial and submit a successful NDA is a complicated process. As an organization, we have never conducted a Phase 3 clinical trial, have limited experience in preparing, submitting and prosecuting regulatory filings, and have not submitted an NDA before. We also have had limited interactions with the FDA and have not discussed any proposed Phase 3 clinical trial designs or implementations with the FDA. Consequently, even if the Phase 2b Trial is successful, we may be unable to successfully and efficiently execute and complete necessary clinical trials in a way that leads to an NDA submission and approval of LUM-201. Failure to commence or complete, or delays in, our planned clinical trials would prevent us from or delay us in commercializing LUM-201.

***Further delays in the enrollment of patients in any of our clinical trials could increase our development costs and delay completion of the trial.***

We have experienced longer than expected time required to achieve enrollment in our clinical trial for LUM-201 primarily due to the impact of COVID-19. We may not be able to initiate or continue clinical trials for LUM-201 or any future product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials. Even if we are able to enroll a sufficient number of patients in our clinical trials, if the pace of enrollment is slower than we expect, the development costs for our product candidates may increase and the completion of our trials may be delayed or our trials could become too expensive to complete.

There may be concurrent competing PGHD clinical trials that will inhibit or slow our enrollment in the planned Phase 2b and Phase 3 clinical trials. If we experience delays in enrollment, our ability to complete our planned clinical trials could be impaired and the costs of conducting such trials could increase, either of which could have a material adverse effect on our business.

***If clinical trials of LUM-201 and any future product candidates fail to demonstrate safety and efficacy to the satisfaction of the FDA or similar regulatory authorities outside the United States or do not otherwise produce positive results, we may incur additional costs, experience delays in completing or ultimately fail in completing the development and commercialization of LUM-201 or our future product candidates.***

Before obtaining regulatory approval for the sale of any product candidate, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. A failure of one or more of our clinical trials could occur at any stage of testing.

We have identified several aspects of the Phase 2b Trial protocols that could potentially delay or prevent our ability to receive regulatory approval or commercialize LUM-201. For example, we may be administering LUM-201 at dose levels that are not as efficacious and/or safe as other rhGH therapies. The Phase 2b Trial will test doses of LUM-201 that are equal to, and two and four times higher than, the highest doses tested in the pediatric multiple dose Merck Trials. These higher doses were never tested in adults or children in a multiple dose trial in the Merck Trials and, even if the trials are able to show that such higher doses increase efficacy, such higher doses may not be as safe as the doses tested in the Merck Trials. As a result, frequent safety assessments may be required during the trial.

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FDA or other regulatory authorities may disagree with our clinical trials protocol or study design and may require us to change our clinical studies protocol or laboratory procedures used to identify patients that meet the entry criteria for our studies, which could negatively impact our existing arrangements with clinical laboratories or vendors engaged for our clinical trials, delay enrollment, or cause us to modify our studies protocol, all of which could delay our clinical development plans and increase the amount of time and expense required for regulatory approval of LUM-201, if any, or negatively impact the scope of our proposed indication or target patient population. For example, in July 2021, the FDA requested an extension of the OraGrowthH210 Trial from six months to 12 months and placed our planned long-term extension study on partial clinical hold until additional efficacy data from the OraGrowthH210 Trial are available to be reviewed, which will increase the amount of time and expense required for these. In addition to trials design factors, we may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize LUM-201 or any future product candidates, including the following:

- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials may be larger than we anticipate, enrollment of subjects who meet our inclusion criteria in these clinical trials may be insufficient or slower than we anticipate, or patients may drop out of these clinical trials at a higher rate than we anticipate;
- our existing supply of the LUM-201 API was manufactured more than 20 years ago and, while we have conducted testing and believe this supply is suitable for clinical use, it may unexpectedly become unusable or documentation concerning this supply may be in the possession of third parties and become unavailable over time;
- the cost of clinical trials or the manufacturing of our product candidates may be greater than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding that our product candidates have unanticipated serious adverse events or other unexpected characteristics or that the patients are being exposed to unacceptable health risks;
- regulators may not approve our proposed clinical development plans, including our clinical trial design or protocol;
- we have been, and may in the future be required to modify our clinical trial protocol or design, and thus our arrangements with clinical trial vendors or trial sites, based on regulators' feedback;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements; and
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of LUM-201 or any future product candidates beyond those that we contemplate, if we are unable to successfully complete clinical trials or other testing, or if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be materially delayed in obtaining marketing approval for LUM-201 or other product candidates;
  - not obtain marketing approval at all;
  - obtain approval for indications that are not as broad as intended or targeted;
  - have the product removed from the market after obtaining marketing approval;
  - be subject to additional post-marketing testing requirements; or
  - be subject to restrictions on how the product is distributed or used.
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Our product development costs will also increase if it experiences delays in testing or approvals. We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all.

Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which would impair our ability to commercialize our product candidates and harm our business and results of operations.

***Even if we obtain marketing approval for LUM-201, certain factors may limit the market for LUM-201, which could materially impair our ability to generate revenue from such product.***

Even if we receive regulatory approval for LUM-201, certain factors may limit the market for LUM-201 or put the product at a competitive disadvantage relative to alternative therapies. For instance, we believe that the treatment will only be effective for approximately 50% to 60% of PGHD patients, and approximately 50% for patients with either SGA or Turner Syndrome, and the actual percentages could be substantially lower. Certain jurisdictions such as Australia and the European Union have different diagnostic criteria for diagnosing PGHD and as a result, the market for LUM-201 in those jurisdictions is smaller. In addition, there are a number of challenges that LUM-201 would face to obtain acceptance and use by physicians. Physicians will need to conduct additional testing to identify their patients who would be eligible for LUM-201 treatment. Approved products that would compete with LUM-201 have been used for many years or decades with an excellent safety profile. It will take a number of years of results of LUM-201 to provide the comfort level that may be necessary to satisfy some physicians and patient families. Some physicians may feel the benefits of an oral product do not outweigh limitations. For example, the mean annual growth velocity for LUM-201 treated patients included in the trial may be substantially lower, despite meeting non-inferiority study requirements, than such mean for all rhGH treated PGHD patients. These factors could limit the size of the market LUM-201 intends to address and the rate of market acceptance, which could materially impair our ability to generate revenue.

***LUM-201 or our future product candidates may cause serious adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following any marketing approval.***

Our product candidate, LUM-201, has not completed clinical development. The risk of failure of clinical development is high. It is impossible to predict when or if this or any future product candidates will prove safe enough to receive regulatory approval. Undesirable adverse events caused by LUM-201 or any future product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authority.

At the doses tested previously in the Merck Trials, LUM-201 was generally well-tolerated in children with the most commonly reported adverse events being digestive systems events, including appetite increase. Mild elevations in liver enzymes without accompanying changes in bilirubin were also reported. To our knowledge, no serious drug-related adverse events have been reported in children treated with LUM-201 to date. However, we cannot assure you that adverse events from LUM-201 in current or future clinical trials will not prompt the discontinuation of the development of LUM-201. Similarly, our future product candidates may cause serious adverse events or have other properties that could delay or prevent their regulatory approval. As a result of these adverse events or further safety or toxicity issues that we may experience in its clinical trials in the future, we may not receive approval to market LUM-201 or any future product candidates, which could prevent us from ever generating revenue or achieving profitability. Results of our trials could reveal an unacceptably high severity or prevalence of adverse events. In such an event, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order it to cease further development of or deny approval of its product candidates for any or all targeted indications. Any drug-related adverse events could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may have a material adverse effect on our business, results of operations, financial condition, cash flows and future prospects.

Additionally, if LUM-201 or any of our future product candidates receive marketing approval, and we or others later identify undesirable adverse events caused by such product, a number of potentially significant negative consequences could result, including:

- we may be forced to suspend the marketing of such product;
  - regulatory authorities may withdraw our approvals of such product;
  - regulatory authorities may require additional warnings on the label that could diminish the usage or otherwise limit the commercial success of such products;
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- the FDA or other regulatory bodies may issue safety alerts, Dear Healthcare Provider letters, press releases or other communications containing warnings about such product;
- the FDA may require the establishment or modification of REMS, or a comparable foreign regulatory authority may require the establishment or modification of a similar strategy that may, for instance, restrict distribution of our products and impose burdensome implementation requirements on us;
- we may be required to change the way the product is administered or conduct additional clinical trials;
- we could be sued and held liable for harm caused to subjects or patients;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved.

***Even if our clinical trials demonstrate acceptable safety and efficacy of LUM-201 for growth in PGHD patients based on a once daily oral dosing regimen, the FDA or similar regulatory authorities outside the United States may not approve LUM-201 for marketing or may approve it with restrictions on the label, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.***

Assuming the success of our clinical trials, we anticipate seeking regulatory approval for LUM-201 initially in the United States and the European Union for treatment of a subset of PGHD patients based on a once daily weight-based dosing regimen. We may subsequently seek regulatory approval in other jurisdictions including China and Japan. It is possible that the FDA, the EMA, or regulatory agencies in other countries may not consider the results of our clinical trials to be sufficient for approval of LUM-201 for this indication. In general, the FDA suggests that sponsors complete two adequate and well-controlled clinical trials to demonstrate effectiveness because a conclusion based on two persuasive trials will be more compelling than a conclusion based on a single trial. Even if we achieve favorable results in the Phase 2b Trial and its planned Phase 3 clinical trial and considering that LUM-201 is a new chemical entity, the FDA may nonetheless require that we conduct additional clinical trials, possibly using a different clinical trial design.

Moreover, even if the FDA or other regulatory authorities approve LUM-201 for treatment of a subset of PGHD patients based on a once daily weight-based dosing regimen, the approval may include additional restrictions on the label that could make LUM-201 less attractive to physicians and patients compared to other products that may be approved for broader indications, which could limit potential sales of LUM-201.

If we fail to obtain FDA or other regulatory approval of LUM-201 or if the approval is narrower than what we seek, it could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

***Even if LUM-201 or any future product candidates receive regulatory approval, they may fail to achieve the degree of market acceptance by physicians, patients, caregivers, healthcare payors and others in the medical community necessary for commercial success.***

If LUM-201 or any future product candidates receive regulatory approval, they may nonetheless fail to gain sufficient market acceptance by physicians, hospital administrators, patients, healthcare payors and others in the medical community. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including the following:

- the prevalence and severity of any adverse events;
  - their efficacy and potential advantages compared to alternative treatments;
  - the price Lumos charges for its product candidates;
  - the willingness of physicians to change their current treatment practices;
  - convenience and ease of administration compared to alternative treatments;
  - the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
  - the strength of marketing and distribution support; and
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- the availability of third-party coverage or adequate reimbursement.

For example, a number of companies offer therapies for treatment of PGHD patients based on a daily injection-based regimen, and physicians, patients or their families may not be willing to change their current treatment practices in favor of LUM-201 even if it is able to eliminate daily injection dosing. If LUM-201 or any future product candidates, if approved, do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable on a sustained basis or at all.

In addition, the FDA recently approved a competitive treatment, the once-weekly injectable, Skytrofa, for the treatment of patients with PGHD, and other companies, including large worldwide pharmaceutical companies, are also currently developing products that provide weekly injection-based treatment for PGHD. With the approval of once-weekly injections, physicians, patients and their families may prefer a once weekly treatment option over LUM-201's daily treatment if it is available to them.

***LUM-201 has never been manufactured on a commercial scale, and there are risks associated with scaling up manufacturing to commercial scale. We have arranged for production of LUM-201 by a third-party manufacturer, which may not be successful, and this could delay regulatory approval and commercialization of LUM-201.***

We have an existing supply of the LUM-201 API obtained in connection with the APA by and between Lumos and Ammonett and the Lumos Merck Agreement entered into in November 2014 with Merck that we believe will be sufficient for our Phase 2b Trial. The LUM-201 API has never been manufactured on a commercial scale, and there are risks associated with scaling up manufacturing to commercial scale including, among others, cost overruns, potential problems with process scale-up, process reproducibility, stability issues, lot consistency, and timely availability of raw materials. Even if we could otherwise obtain regulatory approval for LUM-201, there is no assurance that the manufacturer we have arranged will be able to manufacture the approved product to specifications acceptable to the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product or to meet potential future demand. If the manufacturer is unable to begin production in a timely and efficient manner or produce sufficient quantities of the approved product for commercialization, our commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

***Our failure to successfully identify, acquire, develop and commercialize additional products or product candidates could impair our ability to grow.***

Although a substantial amount of our efforts will focus on the continued clinical testing and potential approval of our product candidate, LUM-201, a key element of its long-term growth strategy is to acquire, develop, and/or market additional products and product candidates. Research programs to identify product candidates require substantial technical, financial and human resources, whether or not any product candidates are ultimately identified. Because our internal research capabilities are limited, we may be dependent upon pharmaceutical and biotechnology companies, academic scientists and other researchers to sell or license products or technology to us. The success of this strategy depends partly upon our ability to identify, select and acquire promising pharmaceutical product candidates and products. The process of proposing, negotiating and implementing a license or acquisition of a product candidate or approved product is lengthy and complex. Other companies, including some with substantially greater financial, marketing and sales resources, may compete with us for the license or acquisition of product candidates and approved products. We have limited resources to identify and execute the acquisition or in-licensing of third-party products, businesses and technologies and integrate them into its current infrastructure. Moreover, we may devote resources to potential acquisitions or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts. Any product candidate that we acquire may require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are prone to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. In addition, we cannot provide assurance that any products that we develop or approved products that we acquire will be manufactured profitably or achieve market acceptance.

***We currently have no sales or distribution personnel and only limited marketing capabilities. If we are unable to develop a sales and marketing and distribution capability on our own or through collaborations or other marketing partners, we will not be successful in commercializing LUM-201 or other future products.***

We do not have sales or marketing infrastructure and have no experience in the sale, marketing or distribution of therapeutic products. To achieve commercial success for any approved product, we must either develop a sales and marketing organization or outsource these functions to third parties. If LUM-201 is approved, we currently initially intend to commercialize it with our own specialty sales force in the United States, the European Union, and potentially other geographies.

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There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

We also may not be successful entering into arrangements with third parties to sell and market our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively and could damage our reputation. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

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

The development and commercialization of new therapeutic products is highly competitive. We face competition with respect to LUM-201 and will face competition with respect to any product candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are several large pharmaceutical and biotechnology companies that currently market and sell rhGH therapies to our target patient group. These companies typically have a greater ability to reduce prices for their competing drugs to gain or retain market share and undermine the value proposition that we might otherwise be able to offer to payors. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization, as well as manufacturers and sellers of the LUM-201 compound that may sell the compound illegally or for other indications. Many of these competitors are attempting to develop therapeutics for our target indications.

We are developing our product candidate, LUM-201, for treatment of a subset of PGHD patients based on a once daily weight-based oral dosing regimen. The current standard of care for growth therapies for patients in the United States is a daily subcutaneous injection of rhGH. There are a variety of currently marketed rhGH therapies administered by daily subcutaneous injection and used for the treatment of GHD, principally Norditropin® (Novo Nordisk A/S (“Novo Nordisk”)), Humatrope® (Eli Lilly and Company), Nutropin-AQ® (F. Hoffman-La Roche Ltd./Genentech, Inc.), Genotropin® (Pfizer Inc.), Saizen® (Merck Serono S.A.), Tev-tropin® (Teva Pharmaceuticals Industries Ltd.), Omnitrope® (Sandoz GmbH), Valtropin® (LG Life Science and Biopartners GmbH), Zomacton® (Ferring Pharmaceuticals, Inc.), and Skytrofa® (Ascendis Pharma). These rhGH drugs, apart from Valtropin and the just approved Skytrofa, are well-established therapies and are widely accepted by physicians, patients, caregivers, third-party payors and pharmacy benefit managers (“PBMs”), as the standard of care for the treatment of GHD. Physicians, patients, third-party payors and PBMs may not accept the addition of LUM-201 to their current treatment regimens for a variety of potential reasons, including concerns about incurring potential additional costs related to LUM-201, the perception that the use of LUM-201 will be of limited additional benefit to patients, or limited long-term safety data compared to currently available rhGH treatments.

In addition to the currently approved and marketed daily rhGH therapies, there are a variety of experimental therapies and devices that are in various stages of clinical development by companies already participating in the rhGH market as well as potential new entrants, principally Novo Nordisk, Genexine Inc. and OPKO Health, Inc. (in collaboration with Pfizer). Ascendis Pharma A/S's TransCon™ hGH (lonapegsomatropin), a long-acting once-weekly prodrug of somatropin, Skytrofa®, was approved by the FDA for use in the United States during the third quarter of 2021 and is expected to be made commercially available later this year. OPKO Health, Inc.'s Somatrogen©, a once-weekly injectable long-acting human growth hormone molecule is currently under review by the FDA and may be commercially available soon thereafter.

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

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***We may form strategic alliances in the future, and we may not realize the benefits of such alliances.***

We may form strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that we believe will complement or augment our business. These relationships or those like them may require us to incur non-recurring and other charges, increase our near-term and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for LUM-201 or any future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. If we license products or businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. We cannot be certain that, following a strategic transaction or license, we will achieve the revenues or specific net income that justifies such a transaction. Any delays in entering into new strategic partnership agreements related to our product candidates could also delay the development and commercialization of our product candidates and reduce their competitiveness even if they reach the market.

***If we are able to commercialize LUM-201 or any future product candidates, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, thereby harming our business.***

The regulations that govern marketing approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a product before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product and negatively impact the revenue we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain regulatory approval.

Our ability to commercialize LUM-201 or any future products successfully also will depend on the extent to which reimbursement for these products and related treatments becomes available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the United States healthcare industry and elsewhere is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any product for which we obtain marketing approval. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with products administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved products, and coverage may be more limited than the purposes for which the product is approved by the FDA or regulatory authorities in other countries. Moreover, eligibility for reimbursement does not imply that any product will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the product and the clinical setting in which it is used, may be based on payments allowed for lower cost products that are already reimbursed and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of products from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government funded and private payors for new products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition. In some foreign countries, including major markets in the European Union and Japan, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take nine to 12 months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be

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required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. Our business could be materially harmed if reimbursement of our approved products, if any, is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels.

***Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.***

We face an inherent risk of product liability exposure related to the testing of LUM-201 and any future product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

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

Any product liability insurance coverage we may obtain in the future may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

***We have agreed not to develop or seek to commercialize any products in the dermatological field, or the fields of Parkinson's, Huntington's and ALS diseases.***

Pursuant to the terms of our settlement agreement with The Avicena Group, Inc. and its Chief Executive Officer, we have agreed not to, among other things, develop, commercialize, market, sell, license, transfer or otherwise exploit any substance, therapeutic, diagnostic or other methodology in the dermatological field or the fields of Parkinson's, Huntington's and ALS diseases for a period of 25 years, beginning on November 19, 2012. As a result, we may be limited in our ability to develop or collaborate on products in those fields, and we could miss valuable future opportunities thus potentially adversely affecting our financial results, business and business prospects.

***Under the worldwide license and collaboration agreement between NewLink and Merck, dated November 2014 (the "NewLink Merck Agreement"), we have ongoing obligations related to ERVEBO®, which may result in greater costs than we estimate, yet we will receive limited revenues, if any, from any future sales of ERVEBO®.***

Even now that ERVEBO® has been approved, a number of factors may adversely affect commercial sales of such product and we may receive limited or no revenues under the NewLink Merck Agreement. For example, lack of familiarity with the viral vaccine and potential adverse events associated with vaccination may adversely affect physician and patient perception and uptake of such product. Furthermore, there are no assurances that the vaccine will be approved for inclusion in government stockpile programs, which may be material to the commercial success of the product candidate, either in the United States or abroad. Finally, in certain cases, our obligations to pay royalties to the Public Health Agency of Canada ("PHAC") may exceed the royalties we receive from Merck.

***Some of our product candidates have been studied, or in the future may be studied, in clinical trials co-sponsored by organizations or agencies other than us, or in investigator-initiated clinical trials, which means we have little control over the conduct of such trials.***

We have in the past and currently supply indoximod in support of Phase 2 investigator-initiated clinical trials. Our Ebola vaccine product candidate was studied in clinical trials in West Africa. Additionally, we have agreed to supply NLG919 and NLG802 for future investigator-initiated clinical trials. We may continue to supply and otherwise support similar trials in the future. However, because we are not the sponsors of these trials, we do not control the protocols, administration or conduct of these trials, including follow-up with patients and ongoing collection of data after treatment, and, as a result, are subject to risks associated with the way these types of trials are conducted, in particular should any problems arise. These risks include

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difficulties or delays in communicating with investigators or administrators, procedural delays and other timing issues and difficulties or differences in interpreting data.

### **Risks Related to the Operation of our Business**

***Our future success depends on our ability to retain our chief executive officer, president and other key members of our management team and to attract, retain and motivate qualified personnel.***

We are highly dependent on our chief executive officer, our president and the other members of our management team. Under the terms of their employment, our executives may terminate their employment with us at any time. The loss of the services of any of these people could impede the achievement of our research, development and commercialization objectives.

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

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

As of September 30, 2021, we had 31 employees. Over the next several years, we expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs, commercial development and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. We may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Future growth would impose significant added responsibilities on members of management, including:

- managing our clinical trials effectively, which we anticipate being conducted at numerous clinical sites;
- identification, recruitment, and the integration of additional employees we may require with the expertise and experience to support our future growth;
- management of our internal development efforts effectively while complying with our contractual obligations to licensors, licensees, contractors and other third parties;
- managing any future additional relationships with various strategic partners, suppliers and other third parties; and
- Improving our managerial, development, operational and finance reporting systems and procedures.

Our failure to accomplish any of these tasks could prevent us from successfully growing. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

***Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.***

In addition to the disruptions we may face as a result of the COVID-19 pandemic, our operations or those of our vendors or clinical trials, could be subject to earthquakes, power shortages, telecommunications failures, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase its costs and expenses.

***If we obtain approval to commercialize LUM-201 outside the United States, we will be subject to additional risks.***

If we obtain approval to commercialize any approved products outside of the United States, a variety of risks associated with international operations could materially adversely affect our business, including:

- different regulatory requirements for drug approvals and pricing and reimbursement regimes in foreign countries;
  - reduced protection for intellectual property rights;
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- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- potential liability under the U.S. Foreign Corrupt Practices Act or comparable foreign regulations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

***Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our drug development programs.***

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not, to our knowledge, experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing clinical trials for a product candidate could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of any product candidates could be delayed.

***Our business and operations would suffer in the event of system failures, security breaches or cyber-attacks.***

Our computer systems, as well as those of various third parties on which we will rely, including CROs and other contractors, consultants, and law and accounting firms, may sustain damage from computer viruses, unauthorized access, data breaches, phishing attacks, cybercriminals, natural disasters, terrorism, war and telecommunication and electrical failures. Incompatibilities or difficulties with the integration of our computer systems as a result of the Merger may exacerbate such effects. We will rely on third-party providers to implement effective security measures and identify and correct for any such failures, deficiencies or breaches. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We may in the future experience material system failures or security breaches that could cause interruptions in our operations or result in a material disruption of our drug development programs. For example, the loss of nonclinical or clinical trial data from completed, ongoing or planned trials could result in delays in our regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of personal, confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

***Our employees, independent contractors and consultants, principal investigators, CROs, CMOs and other vendors, and any future commercial partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.***

We are exposed to the risk that our employees, independent contractors and consultants, principal investigators, CROs, CMOs and other vendors, and any future commercial partners may engage in fraudulent conduct or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, to provide accurate information to the FDA or comparable foreign regulatory authorities, to comply with our manufacturing standards or those required by cGMP, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, and to report financial information or data accurately or disclose unauthorized activities to them. The misconduct of our employees and other service providers could involve the improper use of information obtained in the course of clinical trials, which could result in

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regulatory sanctions and serious harm to our reputation. We have implemented a code of business ethics and conduct, but it is not always possible to identify and deter such misconduct, and the precautions we take to detect and prevent this activity, such as the implementation of a quality system which entails vendor audits by quality experts, may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions. For example, if one of our manufacturing partners was placed under a consent decree, we may be hampered in our ability to manufacture clinical or commercial supplies.

***If we fail to fulfill our obligations under our contractual commitments, our counterparties could terminate the applicable agreements or make claims against us, which could have a materially adverse effect on us.***

Under our license agreement with Merck and its APA with Ammonett, we are obligated to use commercially reasonable and diligent efforts to develop and commercialize LUM-201. We are also obligated to make substantial milestone payments and royalties to both Merck and Ammonett, which may limit our future profitability and our ability to enter into marketing partnership agreements. If we fail to fulfill our obligations under our contractual commitments to Merck, Ammonett, or any other counterparty, the counterparties could terminate the exclusive, worldwide license and collaboration agreement entered into in November 2014, the Lumos Merck Agreement, or make claims against us under both agreements, which could have a materially adverse effect on our business, results of operations and prospects.

***We rely on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.***

We do not independently conduct clinical trials. We rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to perform this function. Our reliance on these third parties for clinical development activities reduces our control over these activities but does not relieve us of our responsibilities. We remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as GCP, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of patients in clinical trials are protected. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, regulatory approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

We also rely on other third parties to store and distribute supplies for our clinical trials. Any performance failure on the part of our existing or future distributors could delay clinical development or regulatory approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

***We currently rely and may continue to rely on a single third-party CMO to manufacture and supply LUM-201. If our manufacturer and supplier fail to perform adequately or fulfill our needs, we may be required to incur significant costs and devote significant efforts to find a new supplier or manufacturer. We may also face delays in the development and commercialization of our product candidates.***

We currently have limited experience in, and we do not own facilities for, clinical-scale manufacturing of our sole product candidate, LUM-201, and we currently rely and may continue to rely upon a single third-party CMO to manufacture and supply drug product for our clinical trials of LUM-201. The manufacture of pharmaceutical products in compliance with the FDA's cGMP requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, including difficulties with production costs, yields, and quality control, including stability of the product candidate and quality assurance testing, shortages of qualified personnel, as well as compliance with strictly enforced cGMP requirements, other federal and state regulatory requirements and foreign regulations. If any manufacturer contracted by us were to encounter any of these difficulties or otherwise fail to comply with its obligations to us or under applicable regulations, our ability to provide study drugs in our clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial materials could delay the completion of our clinical trials, increase the costs associated with maintaining our clinical trial programs and, depending upon the period of delay, require us to commence new trials at significant additional expense or terminate the trials completely.

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All manufacturers of our product candidates must comply with cGMP requirements enforced by the FDA through our facilities inspection program. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our product candidates may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. The FDA or similar foreign regulatory agencies may also implement new standards at any time, or change their interpretation and enforcement of existing standards for manufacture, packaging or testing of products. We have little control over our manufacturers' compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in clinical trial and product approval, product seizure or recall or withdrawal of product approval. If the safety of any product supplied is compromised due to our manufacturers' failure to adhere to applicable laws or for other reasons, we may not be able to obtain regulatory approval for or successfully commercialize our products and we may be held liable for any injuries sustained as a result. Any of these factors could cause a delay of clinical trials, regulatory submissions, approvals or commercialization of our product candidates, entail higher costs or impair our reputation.

The number of third-party manufacturers with the necessary manufacturing and regulatory expertise and facilities is limited, and it could be expensive and take a significant amount of time to arrange for alternative suppliers, which could have a material adverse effect on our business. New manufacturers of any product candidate would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing the product candidate. Obtaining the necessary FDA approvals or other qualifications under applicable regulatory requirements and ensuring non-infringement of third-party intellectual property rights could result in a significant interruption of supply and could require the new manufacturer to bear significant additional costs that may be passed on to us.

***Any future collaboration agreements we may enter into for LUM-201 or any other product candidate may place the development of LUM-201 or other product candidates outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.***

We may enter into collaboration agreements with third parties with respect to LUM-201 for the commercialization of this candidate in or outside the United States, or with respect to future product candidates for commercialization in or outside the United States. Our likely collaborators for any distribution, marketing, licensing or other collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. We will have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates, and limited control over certain intellectual property rights related to the collaboration as well as other elements of the collaboration we would be relying on our collaborators for. Our ability to generate revenue from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements. Any termination or disruption of collaborations could result in delays in the development of product candidates, increase our costs to develop the product candidates or the termination of development of a product candidate.

***We plan to explore strategic collaborations that may never materialize or may fail.***

As part of our strategy, we plan to explore a variety of possible strategic collaborations in an effort to gain access to additional product candidates or resources. At the current time, we cannot predict what form such a strategic collaboration might take. We are likely to face significant competition in the process of seeking appropriate strategic collaborators, and such collaborations can be complicated and time-consuming to negotiate and document. We may not be able to negotiate strategic collaborations on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any additional strategic collaborations because of the numerous risks and uncertainties associated with establishing them.

***We are required under the NewLink Merck Agreement, and we may be required under other collaborations, to relinquish important rights to and control over the development of our product candidates to our collaborators or otherwise be subject to unfavorable terms.***

Our collaborations, including any future strategic collaborations we enter into, could subject us to a number of risks, including:

- we may be required to undertake the expenditure of substantial operational, financial and management resources;
  - other than under the NewLink Merck Agreement, we may be required to issue equity securities that would dilute our existing stockholders' percentage ownership;
  - we may be required to assume substantial actual or contingent liabilities;
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- we may not be able to control the amount and timing of resources that our strategic collaborators devote to the development or commercialization of our product candidates;
- strategic collaborators may delay clinical trials, provide insufficient funding, terminate a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new version of a product candidate for clinical testing;
- strategic collaborators may not pursue further development and commercialization of products resulting from the strategic collaboration arrangement or may elect to discontinue research and development programs;
- strategic collaborators may not commit adequate resources to the marketing and distribution of our product candidates, limiting our potential revenues from these products;
- disputes may arise between us and our strategic collaborators that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management's attention and consumes resources;
- strategic collaborators may experience financial difficulties;
- strategic collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in a manner that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- business combinations or significant changes in a strategic collaborator's business strategy may also adversely affect a strategic collaborator's willingness or ability to complete its obligations under any arrangement;
- strategic collaborators could decide to move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- strategic collaborators could terminate the arrangement or allow it to expire, which would delay the development and may increase the cost of developing our product candidates.

***We use hazardous materials in our business and must comply with environmental laws and regulations, which can be expensive.***

We are subject to laws and regulations enforced by the FDA, the Drug Enforcement Agency, foreign health authorities and other regulatory requirements, including the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Food, Drug and Cosmetic Act, the Resource Conservation and Recovery Act, and other current and potential federal, state, local and foreign laws and regulations governing the use, manufacture, storage, handling and disposal of our products, materials used to develop and manufacture our product candidates, and resulting waste products. Although we believe that our safety procedures for handling and disposing of such materials, and for killing any unused microorganisms before disposing of them, comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources.

#### **Risks Related to our Intellectual Property**

***Our ability to successfully commercialize our technology and products may be materially adversely affected if we are unable to obtain and maintain effective intellectual property rights for our technologies and product candidates, or if the scope of the intellectual property protection is not sufficiently broad.***

Our success depends on our ability to obtain and maintain patent and other intellectual property protection in the United States and in other countries with respect to our proprietary technology and products.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain and involves complex legal and factual questions for which legal principles remain unresolved. In recent years patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the patent rights we rely on are highly uncertain. Pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of the patents we rely on or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind

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the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that the inventors of the key patents we have or may acquire were the first to make the inventions claimed in our licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Assuming the other requirements for patentability are met, prior to March 16, 2013, in the United States, the first to make the claimed invention is entitled to the patent, while outside the United States, and in the United States on or after March 16, 2013, the first to file a patent application is entitled to the patent.

Even if the pending patent applications we rely on issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and the patents we rely on may be challenged in the courts or patent offices in the United States or abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours or otherwise provide us with a competitive advantage.

***We do not have composition of matter patent protection with respect to LUM-201.***

We own certain patents and patent applications with claims directed to specific methods of using LUM-201 and we may obtain marketing exclusivity from the FDA and the EMA for a period of seven and a half and 12 years, respectively, because LUM-201 has not been approved in these markets and has received ODD for treatment of GHD. However, we do not have composition of matter protection in the United States and elsewhere covering LUM-201. Since we do not have a composition of matter patent on LUM-201 and the chemical structure of LUM-201 is in the public domain, it is possible for another company to develop LUM-201 for another indication and market the drug for indications where we do not have granted methods of treatment claims or, if approved by the FDA and EMA for its orphan-designated indications, market exclusivity. If LUM-201 is approved, we may be limited in our ability to list our patents in the FDA's Orange Book if the use of our product, consistent with its FDA-approved label, would not fall within the scope of our patent claims. Also, our competitors may be able to offer and sell products so long as these competitors do not infringe any other patents that we (or third parties) hold, including patents with claims for method of use patents. In general, method of use patents are more difficult to enforce than composition of matter patents because, for example, of the risks that the FDA may approve alternative uses of the subject compounds not covered by the method of use patents, and others may engage in off-label sale or use of the subject compounds. Physicians are permitted to prescribe an approved product for uses that are not described in the product's labeling. Although off-label prescriptions may infringe our method of use patents, the practice is common across medical specialties and such infringement is difficult to prevent or prosecute. FDA approval of uses that are not covered by our patents would limit our ability to generate revenue from the sale of LUM-201, if approved for commercial sale.

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

Competitors may infringe or otherwise violate the patents we rely on, or our other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringed their intellectual property rights. In addition, in an infringement proceeding, a court may decide that a patent we are asserting is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the patents we are asserting do not cover the technology in question. An adverse result in any litigation proceeding could put one or more patents at risk of being invalidated or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Interference or derivation proceedings provoked by third parties or brought by the United States Patent and Trademark Office (the "USPTO") or any foreign patent authority may be necessary to determine the priority of inventions or other matters of inventorship with respect to patents and patent applications. We or our licensors may become involved in proceedings, including post grant proceedings, oppositions, interferences, derivation proceedings inter partes reviews, patent nullification proceedings, or re-examinations, challenging our patent rights or the patent rights of others, and the outcome of any such proceedings are highly uncertain. An adverse determination in any such proceeding could reduce the scope of, or invalidate, important patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights.

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Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may also become involved in disputes with others regarding the ownership of intellectual property rights. For example, data which form the basis of our key patent and patent applications were the result of certain clinical trials conducted by Merck, and disagreements may therefore arise as to the ownership or validity of any intellectual property developed pursuant to such relationship. If we are unable to resolve these disputes, we could lose valuable intellectual property rights.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and/or management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. Uncertainties resulting from the initiation and continuation of intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

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

Our commercial success depends upon its ability and the ability of our collaborators to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing, misappropriating or otherwise violating the proprietary rights or intellectual property of third parties. We may become party to, or be threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing or future intellectual property rights. If we are found to infringe a third-party's intellectual property rights, we could be required to obtain a license from such third-party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle pending or threatened litigation. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us, and could require us to pay significant royalties and other fees. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Certain Lumos employees and consultants were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for Lumos, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. These and other claims that we have misappropriated the confidential information or trade secrets of third parties can have a similar negative impact on our business to the infringement claims discussed above.

For example, Merck, which has sublicensed our Ebola vaccine product candidate under the NewLink Merck Agreement, has received correspondence from Yale University asserting that it owns certain intellectual property rights with respect to the Ebola vaccine that they assert, among other things, may need to be licensed by Merck. We also received correspondence from Yale University relating to the research and construction of the Ebola vaccine product by our licensor PHAC. If Merck were required to pay royalties to Yale University, that could result in a reduction of Merck's royalty obligations to us. If Merck otherwise suffered damages as a result of claims by Yale University, it is possible that Merck could seek indemnification from us.

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

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***If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected, harming our business and competitive position.***

In addition to our products and patented technology, we rely upon confidential proprietary information, including trade secrets, unpatented know-how, technology and other proprietary information, to develop and maintain our competitive position. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in the market. We seek to protect our confidential proprietary information, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us. These agreements are designed to protect our proprietary information; however, we cannot be certain that our trade secrets and other confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets, or that technology relevant to our business will not be independently developed by a person that is not a party to such an agreement. Furthermore, if the employees, consultants or collaborators that are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could be disclosed, misappropriated or otherwise become known or be independently discovered by our competitors. In addition, intellectual property laws in foreign countries may not protect trade secrets and confidential information to the same extent as the laws of the United States. If we are unable to prevent disclosure of the intellectual property related to our technologies to third parties, we may not be able to establish or maintain a competitive advantage in our market, which would harm our ability to protect our rights and have a material adverse effect on our business.

***We may not be able to protect and/or enforce our intellectual property rights throughout the world.***

Filing, prosecuting and defending our intellectual property rights throughout the world may be prohibitively expensive to us and to our licensors. Competitors may use our technologies in jurisdictions where we or our licensors have not obtained patent protection to develop our or their own products and, further, may export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as in the United States. These products may compete with our products in jurisdictions where we or our licensors do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals and biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

***We are dependent on licensed intellectual property. If we were to lose our rights to licensed intellectual property, we would not be able to continue developing our sole product candidate, LUM-201. If we breach the agreement under which we license the use, development and commercialization rights to our sole product candidate or technology from third parties or fail to meet certain development or payment deadlines, we could lose license rights that are important to our business.***

In connection with the APA, we were assigned the Lumos Merck Agreement under which we are granted rights to intellectual properties that are important to our business, and we may need to enter into additional license agreements in the future. Our existing license agreement imposes, and we expect that future license agreements will impose, various development, regulatory and/or commercial diligence obligations, payment of fees, milestones and/or royalties and other obligations. If we fail to comply with our obligations under the agreement, Merck, the licensor, may have the right to terminate the license, in which event we would not be able to develop or market products, which could be covered by the license. Our business could suffer, for example, if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms.

As we have done previously, we may need to obtain licenses from third parties to advance our research or allow commercialization of sole product candidate, and we cannot provide any assurances that third-party patents do not exist that might be enforced against LUM-201 or future products in the absence of such a license. We may fail to obtain any of these licenses on commercially reasonable terms, if at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected product candidates, which could materially harm our business and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation to pay royalties and/or other forms of compensation.

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Licensing of intellectual property is of critical importance to our business and involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations with respect to the use of the licensed technology in relation to development and commercialization of our product candidates, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors, us, and our partners.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates. We may enter into additional license(s) to third-party intellectual property that are necessary or useful to our business.

Our current license for LUM-201 and any future licenses that we may enter into impose various royalty payments, milestone, and other obligations. For example, the licensor may retain control over patent prosecution and maintenance under a license agreement, in which case, we may not be able to adequately influence patent prosecution or prevent inadvertent lapses of coverage due to failure to pay maintenance fees. If we fail to comply with any of our obligations under a current or future license agreement, our licensor(s) may allege that we have breached our license agreement and may accordingly seek to terminate the license. In addition, future licensor(s) may decide to terminate our license at will. Termination of any current or future licenses could result in our loss of the right to use the licensed intellectual property, which could materially adversely affect our ability to develop and commercialize a product candidate or product, if approved, as well as harm our competitive business position and business prospects.

***Intellectual property rights do not necessarily address all potential threats to our competitive advantage.***

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make and/or use products that are similar to our product candidates but that are not covered by the claims of the patents that we own;
- inventors of patents that we own might not have been the first to make the inventions covered by an issued patent or pending patent application and/or might not have been the first to file patent applications covering an invention;
- others may independently develop similar or alternative technologies or duplicate any of ours or our licensors' technologies without infringing our intellectual property rights;
- pending patent applications may not lead to issued patents, including in China, a potentially significant market for LUM-201;
- issued patents may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop or in-license additional proprietary technologies that are patentable; and
- the patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid by us and/or our licensors to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the licensed patents and/or applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to use our technologies and those technologies licensed to us and this circumstance would have a material adverse effect on our business.

***Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of our issued patents.***

In March 2013, under the America Invents Act (the "AIA"), the United States moved to a first-to-file system and made certain other changes to its patent laws. The full extent of these changes are still not completely clear as, for example, the courts have yet to address many of the provisions of the AIA. Thus, the applicability of the act and new regulations on specific patents and patent applications discussed herein have not been determined and would need to be reviewed. Accordingly, it is not yet clear what, if any, impact the AIA will have on the operation of our business. However, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents, all of which could have a material adverse effect on our business and financial condition.

***If we are unable to obtain a patent term extension in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of our marketing exclusivity for our product candidates, our business may be materially harmed.***

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, if any, one or more of the United States patents covering its approved product(s) or the use thereof may be eligible for up to five years of patent term restoration under the Hatch-Waxman Act. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA approved product. Patent term extension also may be available in certain foreign countries upon regulatory approval of our product candidates. Nevertheless, we may not be granted patent term extension either in the United States or in any foreign country because of, for example, us or our licensors failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable statutory requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request.

If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than requested, the period during which we will have the right to exclusively market its product will be shortened and our competitors may obtain approval of competing products following its patent expiration, and our revenue could be reduced, possibly materially.

#### **Risks Related to Government Regulation**

***The regulatory approval process is expensive, time consuming and uncertain and may prevent us or our collaboration partners from obtaining approvals for the commercialization of our product candidates.***

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing and distribution of drug products are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, which regulations differ from country to country. Neither we nor our collaboration partners are permitted to market our product candidates in the United States until we receive approval of an NDA from the FDA. Neither we nor our collaboration partners have submitted an application or received marketing approval for LUM-201 or any future product candidates. Obtaining approval of an NDA can be a lengthy, expensive and uncertain process. In addition, failure to comply with the FDA and other applicable United States and foreign regulatory requirements may subject us to administrative or judicially imposed sanctions, including the following:

- warning letters;
  - civil or criminal penalties and fines;
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- injunctions;
- suspension or withdrawal of regulatory approval;
- suspension of any ongoing clinical trials;
- voluntary or mandatory product recalls and publicity requirements;
- refusal to accept or approve applications for marketing approval of new drugs filed by us;
- restrictions on operations, including costly new manufacturing requirements; and
- seizure or detention of our products or import bans.

Prior to receiving approval to commercialize any of our product candidates in the United States or abroad, we and our collaboration partners must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA and other foreign regulatory authorities, that such product candidates are safe and effective for their intended uses. Results from preclinical studies and clinical trials can be interpreted in different ways. Even if we and our collaboration partners believe the preclinical or clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Administering any of our product candidates to humans may produce undesirable adverse events, which could interrupt, delay or cause suspension of clinical trials of our product candidates and result in the FDA or other regulatory authorities denying approval of our product candidates for any or all targeted indications.

Regulatory approval of an NDA is not guaranteed, and the approval process is expensive and may take several years. The FDA also has substantial discretion in the approval process. Despite the time and expense exerted, failure can occur at any stage, and we could encounter problems that cause us to abandon or repeat clinical trials, or perform additional preclinical studies and clinical trials. The number of preclinical studies and clinical trials that will be required for FDA approval varies depending on the product candidate, the disease or condition that the product candidate is designed to address and the regulations applicable to any particular product candidate. The FDA can delay, limit or deny approval of a product candidate for many reasons, including, but not limited to, the following:

- a product candidate may not be deemed safe or effective, only moderately effective or have undesirable or unintended adverse events, toxicities or other characteristics that preclude us from obtaining marketing approval or prevent or limit commercial use;
- FDA officials may not find the data from preclinical studies and clinical trials sufficient, or may disagree with our interpretation of data from preclinical studies or clinical trials;
- the FDA might not approve our or our third-party manufacturer's processes or facilities;
- the FDA may disagree with the design, implementation or results of our clinical trials;
- the population studied in the clinical trial may not be sufficiently broad or representative to assure efficacy and safety in the full population for which we seek approval;
- data collected from clinical trials of our drug candidates may not be sufficient to support the submission of an NDA; and
- we may be unable to demonstrate to the FDA a drug candidate's risk-benefit ratio for our proposed indication is acceptable.

If LUM-201 or any future product candidates fail to demonstrate safety and efficacy in clinical trials or do not gain regulatory approval, our business and results of operations will be materially and adversely harmed.

***Even if we receive regulatory approval for a product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and subject us to penalties if we fail to comply with applicable regulatory requirements.***

Once regulatory approval has been granted, the approved product and its manufacturer are subject to continual review by the FDA and/or non-U.S. regulatory authorities. Any regulatory approval that we or any future collaboration partners receive for LUM-201 or any future product candidates may be subject to limitations on the indicated uses for which the product may be marketed or contain requirements for potentially costly post-marketing follow-up trials to monitor the safety and efficacy of the product. In addition, if the FDA and/or non-U.S. regulatory authorities approve LUM-201 or any future product candidates, we

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will be subject to extensive and ongoing regulatory requirements by the FDA and other regulatory authorities with regard to the labeling, packaging, adverse event reporting, storage, advertising, promotion and recordkeeping for its products.

Regulatory authorities closely regulate the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling. Regulatory authorities impose stringent restrictions on manufacturers' communications regarding off-label use, and if regulatory authorities believe that we are in violation of these restrictions, we may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act in the United States, and other comparable regulations in foreign jurisdictions, relating to the promotion of prescription drugs may lead to enforcement actions and investigations by the FDA, Department of Justice, State Attorney Generals and other foreign regulatory agencies alleging violations of United States federal and state health care fraud and abuse laws, as well as state consumer protection laws and comparable laws in foreign jurisdictions.

In addition, manufacturers of our drug products are required to comply with cGMP regulations, which include requirements related to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Further, regulatory authorities must approve these manufacturing facilities before they can be used to manufacture our drug products, and these facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations. If we or a third party discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory authority may impose restrictions on that product, the manufacturer or us, including requiring withdrawal of the product from the market or suspension of manufacturing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with regulatory requirements of the FDA and/or other non-U.S. regulatory authorities, we could be subject to administrative or judicially imposed sanctions, including the following:

- warning letters;
- civil or criminal penalties and fines;
- injunctions;
- suspension or withdrawal of regulatory approval;
- suspension of any ongoing clinical trials;
- voluntary or mandatory product recalls and publicity requirements;
- refusal to accept or approve applications for marketing approval of new drugs or biologics or supplements to approved applications filed by us;
- restrictions on operations, including costly new manufacturing requirements; and
- seizure or detention of our products or import bans.

The regulatory requirements and policies may change and additional government regulations may be enacted with which we may also be required to comply. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or in other countries. If we are not able to maintain regulatory compliance, we may not be permitted to market our future products and our business may suffer.

***Failure to obtain regulatory approvals in foreign jurisdictions will prevent us from marketing our products internationally.***

We intend to seek a distribution and marketing partner for LUM-201 outside the United States and may market future products in international markets. In order to market our future products in regions such as the EEA, Asia Pacific, and many other foreign jurisdictions, we must obtain separate regulatory approvals.

For example, in the EEA, medicinal products can only be commercialized after obtaining a marketing authorization ("MA"). Before granting the MA, the EMA or the competent authorities of the member states of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy. In Japan, the Pharmaceuticals and Medical Devices Agency, of the Ministry of Health Labour and Welfare, must approve an application under the Pharmaceutical Affairs Act before a new drug product may be marketed in Japan.

We have had limited interactions with foreign regulatory authorities. The approval procedures vary among countries and can involve additional clinical testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Moreover, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries.

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Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and even if we file we may not receive necessary approvals to commercialize our products in any market.

***Healthcare reform measures could hinder or prevent our product candidates' commercial success.***

In the United States, there have been and we expect there will continue to be a number of legislative and regulatory changes to the healthcare system in ways that could affect its future revenue and profitability and the future revenue and profitability of its potential customers. Federal and state lawmakers regularly propose and, at times, enact legislation that would result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. For example, one of the most significant healthcare reform measures in decades, the PPACA was enacted in 2010. The PPACA contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which will impact existing government healthcare programs and will result in the development of new programs. The PPACA, among other things:

- imposes a non-deductible annual fee on pharmaceutical manufacturers or importers who sell “branded prescription drugs”;
- increases the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%, effective 2011;
- could result in the imposition of injunctions;
- requires collection of rebates for drugs paid by Medicaid managed care organizations;
- requires manufacturers to participate in a coverage gap discount program, under which they now must agree to offer 70% point-of-sale discounts off negotiated prices of applicable branded drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer’s outpatient drugs to be covered under Medicare Part D; and
- creates a process for approval of biologic therapies that are similar or identical to approved biologics.

There have been legislative and judicial efforts to repeal, replace, or change some or all of the PPACA. In June 2021, the United States Supreme Court held that Texas and other challengers had no legal standing to challenge the PPACA, dismissing the case without specifically ruling on the constitutionality of the PPACA. Accordingly, the PPACA remains in effect in its current form. It is unclear how this Supreme Court decision, future litigation, and healthcare measures promulgated by the Biden administration will impact the implementation of the ACA, our business, financial condition and results of operations. Litigation and legislation over the PPACA may continue, with unpredictable and uncertain results. Complying with any new legislation or reversing changes implemented under the PPACA could be time-intensive and expensive, resulting in a material adverse effect on our business. We cannot assure you that the PPACA, as currently enacted or as amended in the future, will not adversely affect our business and financial results and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. For example, the Budget Control Act of 2011, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals for spending reductions to Congress. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, which triggered the legislation’s automatic reduction to several government programs, including aggregate reductions to Medicare payments to providers of up to two percent per fiscal year, starting in 2013, which will remain in effect through 2030, with the exception of a temporary suspension implemented under various COVID-19 relief legislation from May 1, 2020 through the end of 2021, unless additional Congressional action is taken. In January 2013, President Obama signed into law the ATRA, which delayed for another two months the budget cuts mandated by the sequestration provisions of the Budget Control Act of 2011. The ATRA, among other things, also reduced Medicare payments to several providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. We cannot predict whether any additional legislative changes will affect its business.

There have been several recent Congressional inquiries and proposed and enacted legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. For example, in 2020, HHS and CMS under the Trump administration issued final rules that were expected to impact, among others, price reductions from pharmaceutical

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manufacturers to plan sponsors under Part D, fee arrangements between pharmacy benefit managers and manufacturers, manufacturer price reporting requirements under the Medicaid Drug Rebate Program, including regulations that affect manufacturer-sponsored patient assistance programs subject to pharmacy benefit manager accumulator programs and Best Price reporting related to certain value-based purchasing arrangements. Multiple lawsuits have been brought against the HHS challenging various aspects of the rules. The impact of these lawsuits as well as legislative, executive, and administrative actions of the Biden administration on us and the pharmaceutical industry as a whole is currently unknown.

Further, in January 2021, President Biden issued an executive order to initiate a special enrollment period for purposes of obtaining health insurance coverage through the PPACA marketplace, which also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare. Under the American Rescue Plan Act of 2021, effective January 1, 2024, the statutory cap on Medicaid Drug Rebate Program rebates that manufacturers pay to state Medicaid programs will be eliminated. Elimination of this cap may require pharmaceutical manufacturers to pay more in rebates than it receives on the sale of products, which could have a material impact on our business. In July 2021, the Biden administration released an executive order, “Promoting Competition in the American Economy,” with multiple provisions aimed at increasing competition for prescription drugs. In response to this executive order, the HHS released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and potential legislative policies that Congress could pursue to advance these principles. In addition, Congress is considering legislation that, if passed, could have significant impact on prices of prescription drugs covered by Medicare, including limitations on drug price increases. The impact of these legislative, executive, and administrative actions and any future healthcare measures and agency rules implemented by the Biden administration on us and the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. A number of states are considering or have recently enacted state drug price transparency and reporting laws that could substantially increase our compliance burdens and expose us to greater liability under such state laws once we begin commercialization after obtaining regulatory approval for any of our products.

There likely will continue to be legislative and regulatory proposals at the federal and state levels directed at containing or lowering the cost of health care. We cannot predict the initiatives that may be adopted in the future or their full impact. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of health care may adversely affect:

- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability; and
- the availability of capital.

Further, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to institutional review boards for reexamination, which may impact the costs, timing or successful completion of a clinical trial. In light of widely publicized events concerning the safety risk of certain drug products, regulatory authorities, members of Congress, the Governmental Accounting Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the recall and withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and establishment of risk management programs that may, for instance, restrict distribution of drug products or require safety surveillance and/or patient education. The increased attention to drug safety issues may result in a more cautious approach by the FDA to clinical trials and the drug approval process. Data from clinical trials may receive greater scrutiny with respect to safety, which may make the FDA or other regulatory authorities more likely to terminate or suspend clinical trials before completion or require longer or additional clinical trials that may result in substantial additional expense and a delay or failure in obtaining approval or approval for a more limited indication than originally sought.

Given the serious public health risks of high-profile adverse safety events with certain drug products, the FDA may require, as a condition of approval, costly REMS, which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, preapproval of promotional materials and restrictions on direct-to-consumer advertising.

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***Our relationships with healthcare professionals, clinical investigators, CROs and third party payors in connection with our current and future business activities may be subject to federal and state healthcare fraud and abuse laws, false claims laws, transparency laws, government price reporting, and health information privacy and security laws, which could expose us to, among other things, criminal sanctions, civil penalties, contractual damages, exclusion from governmental healthcare programs, reputational harm, administrative burdens and diminished profits and future earnings. If we fail to comply with healthcare regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.***

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of any drug candidates for which we obtain marketing approval. Our current and future arrangements with healthcare professionals, clinical investigators, CROs, third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following, without limitation, are:

- the federal healthcare program Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs;
- the federal False Claims Act, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government, and which may apply to entities like ours which provide coding and billing advice to customers;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal transparency requirements under the Sunshine Act requires, in part, applicable manufacturers of drugs, devices, biologics and medical supplies, for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, to report annually to the CMS information related to certain payments and other transfers of value made to covered recipients, including physicians, as defined by law, and teaching hospitals, as well as ownership and investment interests held by physicians and other healthcare providers and their immediate family members; further, effective January 1, 2022, for data reported in 2022, these reporting obligations with respect to covered recipients are extended to include payments and transfers of value made during the previous year to certain non-physician providers, such as physician assistants and nurse practitioners;
- HIPAA prohibits, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by HITECH and their implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require biotechnology companies to comply with the biotechnology industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. Some state laws require biotechnology companies to report information on the pricing of certain drug products, and certain state and local laws require the registration of pharmaceutical sales representatives. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. For instance, the collection and use of health data in the European Union is governed by the General Data Protection Regulation (the "GDPR"), which extends the geographical scope of European Union data protection law to non-European Union entities under certain conditions, tightens existing European Union data protection principles, creates new obligations for companies and new rights for individuals. Failure to comply with the GDPR may result in substantial fines and other administrative penalties. The GDPR may increase our responsibility and liability in relation to personal data that we process, and we may be required to put in place additional mechanisms ensuring compliance with the GDPR. This may be onerous and if our efforts to comply with GDPR or other applicable European Union laws and regulations are not successful, it could adversely affect our business in the European

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Union. The United Kingdom has implemented legislation similar to the GDPR, including the UK Data Protection Act and legislation similar to the GDPR referred to as the UK GDPR, which provides for fines of up to the greater of 17.5 million British Pounds or 4% of a company's worldwide turnover, whichever is higher. We cannot fully predict how the Data Protection Act, the UK GDPR, and other United Kingdom data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding how data transfers to and from the United Kingdom will be regulated. We may find it necessary and appropriate to modify our policies and practices in an effort to comply with the GDPR and data protection laws in European Union member states and the United Kingdom, and may incur liabilities, expenses, costs, and other operational losses under in connection with any measures we take to comply with them.

Efforts to ensure that our current and future business arrangements with third parties will comply with applicable healthcare laws and regulations will involve on-going substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, integrity oversight and reporting obligations, contractual damages, reputational harm, diminished profits and future earnings and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

***The biopharmaceutical industry is subject to significant regulation and oversight in the United States, in addition to approval of products for sale and marketing; our failure to comply with these laws could harm our results of operations and financial condition.***

In addition to FDA restrictions on marketing of biopharmaceutical products, our operations may be directly, or indirectly through our relationships with healthcare providers, customers and third-party payers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute. These laws may impact, among other things, our proposed sales, and education programs, and these laws have been applied to restrict certain marketing practices in the biopharmaceutical industry. In addition, we may be subject to patient privacy regulation by both the U.S. federal government and the states in which we conduct our business. The laws that may affect our ability to operate include, among others, the following:

- The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for purchasing, leasing, ordering, or arranging for the purchase, lease, or order of any health care item or service reimbursable under Medicare, Medicaid, or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exception or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Moreover, a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.
  - The federal civil False Claims Act prohibits any person or entity from knowingly presenting, or causing to be presented, to the federal government a claim for payment or approval that is false or fraudulent or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. Several pharmaceutical and other health-care companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of off-label promotion. Private parties may initiate qui tam whistleblower lawsuits against any person or entity under the federal civil False Claims Act in the name of the government and share in the proceeds of the lawsuit.
  - HIPAA imposes criminal and civil liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of, or payment for, healthcare benefits,
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items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

- HIPAA, as amended by HITECH and their implementing regulations imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization on covered entities, such as health plans, healthcare clearinghouses and healthcare providers as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information.
- The FDCA prohibits, among other things, the adulteration or misbranding of drugs and medical devices.
- The federal Physician Payments Sunshine Act, and its implementing regulations require, in part, applicable manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the CMS, information related to payments and other transfers of value made in the previous year to covered recipients, including physicians, certain other healthcare providers, and teaching hospitals, as well as ownership and investment interests held by physicians and other healthcare providers and their immediate family members. Effective January 1, 2022, for data reported in 2022, these reporting obligations with respect to recipients are extended to include payments and transfers of value made during the previous year to certain non-physician providers, such as physician assistants and nurse practitioners.
- Analogous state laws and regulations include: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payer, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information and that require tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws that require the registration of pharmaceutical sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Ensuring that our future business arrangements with third parties comply with applicable healthcare laws and regulations could involve substantial costs. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations. It is possible that some of our business activities could be subject to challenge under one or more of these laws, which could have a material adverse effect on our business, financial condition and results of operations.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future litigation, legislation or administrative or executive action, either in the United States or abroad. Complying with any new legislation or reversing changes implemented under the PPACA could be time-intensive and expensive, resulting in a material adverse effect on our business.

There have been several recent U.S. Congressional inquiries and proposed federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. For example, in 2020, the Trump administration issued final rules that were expected to impact, among others, price reductions from pharmaceutical manufacturers to plan sponsors under Part D, fee arrangements between pharmacy benefit managers and manufacturers, manufacturer price reporting requirements under the Medicaid Drug Rebate Program, including regulations that affect manufacturer-sponsored patient assistance programs subject to pharmacy benefit manager accumulator programs and Best Price reporting related to certain value-based purchasing arrangements. Multiple lawsuits have been brought against the HHS challenging various aspects of the rules. In July 2021, the Biden administration released an executive order, "Promoting Competition in the American Economy," with multiple provisions aimed at increasing competition for prescription drugs. In response to this executive order, the HHS released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and potential legislative policies that Congress could pursue to advance these principles. In addition, Congress is considering legislation that, if passed, could have significant impact on prices of prescription drugs covered by Medicare, including limitations on drug price increases. At the state level, a number of states

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are considering or have recently enacted state drug price transparency and reporting laws that could substantially increase our compliance burdens and expose us to greater liability under such state laws once we begin commercialization after obtaining regulatory approval for any of our products. The impact of these legislative, executive, and administrative actions and any future healthcare measures and agency rules implemented by the Biden administration on us and the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved.

We are unable to predict the future course of federal or state healthcare legislation in the United States directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. These and any further changes in the law or regulatory framework that reduce our revenue or increase our costs could also have a material and adverse effect on our business, financial condition and results of operations.

### **Risks Related to Ownership of Our Common Stock**

*The market price of our common stock may be highly volatile, and could decline significantly.*

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including those described elsewhere in this “Risk Factors” section of this Annual Report and the following:

- the impact of the COVID-19 pandemic;
  - actual or anticipated results from and any delays in our clinical trials due to the COVID-19 pandemic or other factors, as well as results of regulatory reviews relating to the approval of our product candidates;
  - new products, product candidates or new uses for existing products introduced or announced by our strategic collaborators, or our competitors, and the timing of these introductions or announcements;
  - variations in the level of expenses related to any of our product candidates or clinical development programs, including those relating to the timing of invoices from, and other billing practices of, our clinical research organizations and clinical trial sites;
  - expenses related to, or our ability or perceived ability to secure, an adequate supply of any future products approved for commercial sale;
  - the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
  - disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
  - announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures and capital commitments;
  - the commercial or clinical success or failure, or perceived success or failure, of our collaborators, including Merck;
  - additions or departures of key scientific or management personnel;
  - conditions or trends in the biotechnology and biopharmaceutical industries;
  - media attention, or changes in media attention, given to cancer and cancer treatment, the recent Ebola epidemic and efforts to develop treatments and vaccines for Ebola, or any other condition or disease that our product candidates are being developed to treat;
  - actual or anticipated changes in earnings estimates, development timelines or recommendations by securities analysts;
  - actual and anticipated fluctuations in our quarterly operating results;
  - the financial projections we may provide to the public, and any changes in these projections or our failure to meet these projections;
  - deviations from securities analysts’ estimates or the impact of other analyst rating downgrades by any securities analysts who follow our common stock;
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- other events or factors, including those resulting from public health crises such as pandemics, political uncertainty, war, incidents of terrorism, natural disasters or responses to these events;
- changes in accounting principles;
- discussion of us or our stock price by the financial and scientific press and in online investor communities;
- general economic and market conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors, including changes in market valuations of similar companies; and
- sales of common stock by us or our stockholders in the future, as well as the overall trading volume of our common stock.

In addition, the stock market in general and the market for biotechnology and biopharmaceutical companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. We are currently party to the securities class action litigation referred to in Part I, Item 1 of this Quarterly Report. This litigation and others like it that could be brought against us in the future could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business and financial condition.

***Our principal stockholders and management own a significant percentage of our stock and will be able to exercise significant influence over matters subject to stockholder approval.***

As of September 30, 2021, our executive officers, directors and principal stockholders, together with their respective affiliates, owned approximately 42.1% of our common stock, including shares subject to outstanding options that are exercisable within 60 days after September 30, 2021. These stockholders will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of our Board, future issuances of our common stock or other securities, declarations of dividends on our common stock and approval of other significant corporate transactions. This concentration of ownership could have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material and adverse effect on the fair market value of our common stock. In addition, sales of shares beneficially owned by executive officers and directors and their affiliates could be viewed negatively by third parties and have a negative impact on our stock price. Moreover, we cannot assure you as to how these shares may be distributed and subsequently voted.

***Our Bylaws designate the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us or our directors, officers, or employees.***

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on behalf of the corporation; (2) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of the corporation to the corporation or to the corporation's stockholders; (3) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or (4) any action asserting a claim governed by the internal affairs doctrine. This choice of forum provision does not apply to suits brought to enforce a duty or liability created by the Securities Act, or the Exchange Act, or any claim for which the federal courts have exclusive jurisdiction.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees and may discourage these types of lawsuits. Furthermore, if a court were to find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

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***We do not anticipate that we will pay any cash dividends in the foreseeable future.***

The current expectation is that we will retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be investors' sole source of gain, if any, for the foreseeable future.

***Provisions in our certificate of incorporation, our Bylaws or Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Provisions of our certificate of incorporation, our Bylaws or Delaware law may have the effect of deterring unsolicited takeovers or delaying or preventing a change in control of our company or changes in our management, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interest. These provisions include:

- the division of our Board into three classes with staggered, three-year terms;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to call special meetings;
- limitations on the ability of stockholders to remove directors or amend our Bylaws; and
- the ability of our Board to designate the terms of and issue new series of preferred stock without stockholder approval, which could include the right to approve an acquisition or other change in our control or could be used to institute a rights plan, also known as a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our Board.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person that together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

***The holdings of our stockholders may be diluted, and the prices of our securities may decrease, by the exercise of outstanding stock options or by future issuances of securities by us.***

We may issue additional common stock, preferred stock, restricted stock units, or securities convertible into or exchangeable for our common stock. Furthermore, substantially all shares of common stock for which our outstanding stock options are exercisable are, once they have been purchased, eligible for immediate sale in the public market. The issuance of additional common stock, preferred stock, RSUs, or securities convertible into or exchangeable for our common stock or the exercise of stock options would dilute existing investors and could adversely affect the price of our securities. In addition, such securities may have rights senior to the rights of securities held by existing investors.

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

**Recent Sales of Unregistered Securities**

None.

**Use of Proceeds**

Not applicable.

**Repurchases**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

The following exhibits are filed with this Form 10-Q or incorporated herein by reference to the document set forth next to the exhibit listed below. Where so indicated, exhibits that were previously filed are incorporated by reference.

Exhibit Number	Description	Incorporated By Reference			Filed Herewith
		Form	Filing Date	Number	
3.1	<a href="#">Amended and Restated Certificate of Incorporation filed on November 16, 2011, as amended</a>	10-K	3/9/2021	3.1	
3.2	<a href="#">Amended and Restated Bylaws</a>	8-K	9/30/2019	3.1	
4.1	<a href="#">Form of the Registrant's Common Stock Certificate</a>	8-K	3/18/2020	4.1	
4.2	<a href="#">Description of Securities</a>	10-K	3/9/2021	4.2	
10.1	<a href="#">Employment Agreement, dated August 3, 2021, by and between the Registrant and Dr. David Karpf</a>				
31.1	<a href="#">Certification of principal executive officer required by Rule 13a-14(a)/15d-14(a).</a>				X
31.2	<a href="#">Certification of principal financial officer required by Rule 13a-14(a) / 15d-14(a)</a>				X
32.1	# <a href="#">Section 1350 Certification</a>				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

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

‡ Filed herewith electronically.

\* Indicates management contract or compensatory plan.

## SIGNATURES

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

### **LUMOS PHARMA, INC.**

By: /s/ Richard J. Hawkins

Richard J. Hawkins

Chief Executive Officer

(Principal Executive Officer)

Date: November 5, 2021

By: /s/ Lori D. Lawley

Lori D. Lawley

Chief Financial Officer and Secretary

(Principal Financial Officer)

Date: November 5, 2021

## EMPLOYMENT AGREEMENT

**THIS EMPLOYMENT AGREEMENT** (the “**Agreement**”) is made as of August 3, 2021 (the “**Effective Date**”), by and between Lumos Pharma, Inc. (the “**Company**”), and Dr. David Karpf (“**Executive**”) (collectively, the “**Parties**”, each a “**Party**”).

**WHEREAS**, the Company wishes to employ and/or continue to employ Executive and to assure itself of Executive’s services on the terms set forth herein;

**WHEREAS**, Executive wishes to be employed by the Company on the terms set forth herein; and

**WHEREAS**, the Parties intend for this Agreement to set forth all of the terms and conditions of Executive’s employment with the Company, and to supersede and replace all prior agreements, arrangements, representations or understandings between the Parties regarding Executive’s employment with the Company.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained herein, the Parties agree as follows:

**1. EMPLOYMENT.** As of the Effective Date, the Company will employ Executive and Executive shall serve the Company in the capacity of Chief Medical Officer (“**CMO**”).

**2. DUTIES.** Executive shall render exclusive, full-time services to the Company. Executive shall report to the Chief Executive Officer (“**CEO**”) in Executive’s role. Executive shall perform services under this Agreement primarily from a remote location, and from time to time at such other locations as may be necessary or as otherwise reasonably requested by the Company. Executive will render such business and professional services in the performance of Executive’s duties, consistent with Executive’s position within the Company, as will reasonably be assigned by the Chief Executive Officer (“**CEO**”). Executive shall devote Executive’s best efforts and full business time, skill and attention to performance of Executive’s duties on behalf of the Company; *provided, however*, that Executive may engage in civic and not-for-profit activities (*e.g.* charitable and industry association activities) as long as such activities do not materially interfere with Executive’s obligations hereunder. During Executive’s employment with the Company, Executive agrees not to engage in any business or for-profit activities outside the Company, including serving on any advisory boards or boards of directors of for-profit entities, except with the prior written approval of the CEO, which approval may be rescinded at any time in the CEO’s discretion, provided that in the event of such rescission Executive shall be permitted reasonable time for orderly withdrawal from any board with respect to which such consent has been rescinded. The Company hereby consents to Executive’s continuing academic appointment at Stanford University School of Medicine, and to his attending (*pro bono*) in clinic twice per month (the 1<sup>st</sup> and 3<sup>rd</sup> Fridays of every month), with the understanding that with sufficient notice the clinic days can be moved as needed in order to meet critical needs of the Company. The Company also consents to Executive’s continuing service on the advisory boards of Bone Health Technologies and American Bone Health, and to consult in his own time for Spruce Biosciences, Calcilytix, and Reneo Pharma. By signing this Agreement, Executive represents that Executive is not subject to any other contract or duty that would interfere in any way with Executive’s employment with the Company or performance of employment duties hereunder.

**3. POLICIES AND PROCEDURES.** Executive shall be subject to and agrees to comply with the policies and procedures of the Company, including, for the avoidance of any doubt, any insider trading policies and compensation claw back policies currently in existence, as may be amended from time to time, or that may be adopted by the Company during the term of this Agreement.

4. **BASE SALARY.** For services rendered hereunder, Executive shall receive a base salary at the rate of \$450,000 per year (“**Base Salary**”), paid periodically in accordance with ordinary Company payroll practices, subject to any applicable withholdings and deductions. Executive’s Base Salary shall also be subject to annual reviews and periodic adjustment.

5. **BONUS.** Executive will be eligible to receive an annual performance bonus (“**Bonus**”), with a target level at 40% of Executive’s Base Salary (the “**Bonus Target**”), with the annual amount of such Bonus to be determined in the sole discretion of the Company’s Board of Directors (the “**Board**”) or by its Compensation Committee (under authority delegated by the Board), based upon a review of both Executive’s individual performance and the Company’s performance (both of which may include, but are not limited to, achievement of certain milestones or performance objectives, if any, established by the Board or the Compensation Committee (the “**Bonus Plan**”). For fiscal year 2021 only, Company will pro-rate the Bonus according to Executive’s date of hire and the number of days remaining in such fiscal year. The Board or the Compensation Committee, in their sole discretion, shall determine the extent to which Executive has achieved any performance targets or other terms and conditions applicable to the Bonus; the amount of the Bonus (if any); and whether and to what extent a Bonus may be paid with respect to any year during which Executive’s employment terminates, subject to the terms and conditions of this Agreement. Any Bonus will not be earned until it is approved in writing by the Board or Compensation Committee and, except as otherwise expressly provided by the Board or Compensation Committee or in the Bonus Plan, will be subject to Executive remaining continuously employed with the Company through such date of approval. Any Bonuses earned shall be paid subject to any applicable withholding and deductions, in all cases, not later than March 15th of the year after the year in which the Bonus is earned.

6. **EQUITY AWARDS.** Subject to approval by the Board or the Compensation Committee, Executive shall be granted an award of stock options to purchase 50,000 shares of Company common stock (the “**Equity Awards**” or “**Option**”), subject to the vesting schedule and all other terms, conditions and limitations applicable to such options as set forth in the Company’s 2009 Equity Incentive Plan as it may be amended from time to time (or any successor plan thereto) (the “**Equity Plan**”) and in the applicable Stock Award Agreements (as defined in the Equity Plan) approved by the Board or Compensation Committee, as applicable, entered into between the Company and Executive. Executive may receive additional equity grants from time to time, in the sole discretion of the Board or Compensation Committee.

7. **OTHER BENEFITS.** While employed by the Company pursuant to this Agreement, Executive shall be entitled to the following benefits:

(a) **Executive Benefits.** The Executive shall be entitled to all benefits to which other executive officers of the Company are entitled, in effect from time to time, including, without limitation, participation in pension and profit sharing plans, the Company’s 401(k) plan, group insurance policies and plans (including medical, health, vision, and disability insurance policies and plans, and the like) which may be maintained by the Company for the benefit of its executives and subject to the terms and conditions including eligibility requirements of such benefit plans and programs. The Company reserves the right to alter, discontinue and/or amend its benefit plans and programs from time to time in its sole discretion.

(b) **Expense Reimbursement.** The Executive shall receive, upon presentation of proper receipts and vouchers, reimbursement for direct and reasonable out-of-pocket expenses incurred in connection with the performance of Executive’s duties hereunder, in accordance with the Company’s expense reimbursement policies and procedures in effect from time to time.

(c) **Paid Time Off.** Pursuant to the Company’s current paid time off policy, Executive will accrue thirty (30) days of paid time off (“**PTO**”) each full year. Accrued but unused PTO will carry over from year to year; provided, however, that Executive shall not be entitled to “carry over” more than 1.5 times the Executive’s annual PTO accrual amount. Executive’s accrued PTO shall not exceed 360 hours (“**PTO Cap**”). Upon termination of employment for any reason, Executive shall be paid out (at Executive’s

last rate of pay) for Executive's then accrued but unused PTO amount, up to a maximum of the PTO Cap, less any applicable deductions and withholdings.

#### 8. CONFIDENTIAL INFORMATION, RIGHTS, AND DUTIES.

(a) **Proprietary Information.** As a condition to employment, Executive agrees to execute and abide by the Company's Proprietary Information, Inventions, Non-Competition and Non-Solicitation Agreement (the "**Proprietary Information Agreement**"), attached hereto as **Exhibit A**, upon or prior to commencing employment hereunder.

(b) **Exclusive Property.** Executive agrees that all Company-related business procured by Executive, and all Company-related business opportunities and plans made known to Executive while employed by the Company, are and shall remain the permanent and exclusive property of the Company.

#### 9. TERMINATION OF EMPLOYMENT.

(a) **At-Will Status.** The Company and Executive understand and agree that this employment relationship is at-will. Accordingly, there are no promises or representations concerning the duration of Executive's employment relationship, and it may be terminated by either Executive or the Company at any time, with or without Cause or Good Reason (as defined herein), and with or without advance notice. Executive's at-will status cannot be altered except in an express written agreement signed by Executive and an authorized officer of the Company (other than Executive) with the specific approval of the Board or Compensation Committee. The termination of Executive's employment for any reason will constitute, without any further required action by Executive, Executive's voluntary resignation from all officer and/or director positions held at the Company or any of its subsidiaries or affiliates, and at the Board's request, Executive will execute any documents reasonably necessary to reflect the resignations.

(b) **Termination Due to Death or Disability.** Subject to applicable state or federal law, Executive's employment with the Company will automatically terminate upon Executive's death and may be terminated by the Company upon Executive's Disability. For purposes of this Agreement, "**Disability**" means a physical or mental disability or condition which renders Executive unable to perform the essential functions of Executive's position (with or without accommodation) for more than six (6) months in any twelve (12) month period, or for more than four (4) consecutive months. This provision shall be interpreted and construed in accordance with the federal Americans with Disabilities Act of 1990 and all other applicable laws.

(c) **Resignation by Executive.** Executive may resign from the Company with or without Good Reason. The Company requests that Executive provide at least three (3) weeks' advance written notice of a termination without Good Reason to allow for an orderly transition.

(d) **Definition of Cause.** For purposes of this Agreement, "**Cause**" for the Company to terminate Executive shall mean: (i) Executive's failure or refusal to perform satisfactorily any duties reasonably required of Executive by the Company (other than by reason of Disability), which failure continues for fifteen (15) days after Executive receives specific written notice to cure; (ii) Executive's conviction or plea of guilty or *nolo contendere* to any felony or to any other crime involving dishonesty or moral turpitude; (iii) any act or omission which constitutes a material breach of this Agreement, the Proprietary Information Agreement, the Company's policies, or Executive's fiduciary duty to the Company; (iv) any act or omission in connection with Executive's employment with the Company, which involves material personal dishonesty by Executive or demonstrates a willful or continuing disregard for the best interests of the Company; or (v) Executive's engaging in dishonorable or disruptive behavior, practices or acts which cause, or could be reasonably expected to cause, material harm or bring disrepute to the Company.

**(e) Definition of Good Reason.** For purposes of this Agreement, “**Good Reason**” means the occurrence of any of the following without Executive’s prior written consent: (i) a material reduction by the Company in the Base Salary or Bonus Target of Executive as in effect immediately prior to such reduction provided, however, that one or more reductions in base compensation or target bonus opportunity applicable to all executives generally that, cumulatively, total ten percent (10%) or less in base compensation and/or ten (10) percentage points or less in target bonus opportunity will not constitute a material reduction for purposes of this clause; (ii) a change in Executive’s benefits that materially diminishes the aggregate value of such benefits, unless such reduction is in connection with (and proportionate to) a general reduction of benefits to all members of the senior management of the Company (or, on and after a Change in Control (as defined in the Equity Plan), any successor to the Company); (iii) in the event of such a general reduction and a subsequent restoration of all or any portion of the reduced benefits, then a failure to restore Executive’s benefits in at least a proportional manner; (iv) a material reduction of Executive’s Bonus Target level; (v) a material reduction in Executive’s duties, authority or responsibilities taken as a whole; provided, however, that a reduction in duties, authority or responsibilities primarily by virtue of the Company being acquired and made part of a larger entity whether as a subsidiary, business unit or otherwise (as, for example, when the Chief Executive Officer of the Company remains as such following an acquisition where the Company becomes a wholly owned subsidiary of the acquirer, but is not made the Chief Executive Officer of the acquiring corporation) will not constitute “Good Reason”; or (vi) a relocation of Executive’s principal place of employment that would result in an increase in Executive’s one-way commute by more than thirty (30) miles. To the extent Executive’s principal place of employment is not the Company’s corporate offices or facilities due to a shelter-in-place order, quarantine order, or similar work-from-home requirement that applies to Executive, Executive’s principal place of employment, from which a change in location under the foregoing clause (v) will be measured, will be considered the Company’s office or facility location where Executive’s employment with the Company primarily was based immediately prior to the commencement of such shelter-in-place order, quarantine order, or similar work-from-home requirement (or if none, such location as set forth in Section 2 (Duties)). Notwithstanding the foregoing, “**Good Reason**” for Executive to resign shall not exist unless: (x) Executive provides the Company with specific written notice of the existence of the condition giving rise to Good Reason within ninety (90) days after its initial occurrence; (y) the Company fails to remedy such condition within thirty (30) days after its receipt of such written notice; and (z) Executive resigns within sixty (60) days after the cure period has lapsed.

**(f) Final Pay upon Termination for Any Reason.** Except as otherwise provided by this Agreement and/or required by law, upon termination of Executive’s employment for any reason, the Company’s obligation to make payments hereunder shall cease, except that the Company shall pay all amounts due and payable for Executive’s services through Executive’s last day of employment (the “**Separation Date**”), including all accrued but unpaid Base Salary and Bonus compensation earned through the Separation Date, any benefits accrued prior to the Separation Date, all accrued but unused vacation as of the Separation Date, and any reimbursable business expenses incurred but not reimbursed as of the Separation Date.

**(g) Severance Benefits upon a Covered Termination (No Change in Control).**

**(i) Severance Benefits.** If Executive’s employment is terminated either by the Company without Cause (but not due to Executive’s death or Disability) or as a result of Executive’s resignation for Good Reason (each a “**Covered Termination**”), Executive shall be eligible to receive the following severance benefits: (1) continued payments of a total amount equal to twelve (12) months of Executive’s Base Salary in effect immediately prior to the Separation Date, less any applicable withholdings and deductions (the “**Severance**”); and (2) twelve (12) months of accelerated vesting of Executive’s Equity Awards, including any additional awards of stock options and/or Restricted Stock Units (so that Executive becomes vested in the portion of all such awards that would have become vested, in accordance with the Equity Awards’ regular, service-based vesting schedule, if Executive remained employed for 365 days after the Separation Date). For the avoidance of doubt, to the extent that any performance criteria under any



Equity Award has not been satisfied as of the Separation Date, such Equity Award shall terminate as of the Separation Date, and shall not be subject to the foregoing accelerated vesting benefit. In addition, provided Executive timely elects to continue Executive's group health insurance coverage after the Separation Date pursuant to the federal COBRA law or, if applicable, state insurance laws (collectively, "**COBRA**"), and the terms of the governing health insurance policies, the Company will reimburse the monthly COBRA health insurance premiums (the "**COBRA Payments**") Executive pays to continue Executive's health insurance coverage (including dependent coverage) for twelve (12) months after the Separation Date or until such earlier date as Executive either becomes eligible for group health insurance coverage through a new employer or ceases to be eligible for COBRA coverage (the "**COBRA Payment Period**"). Executive must submit to the Company appropriate documentation of the foregoing health insurance payments, within sixty (60) days of making such payments, in order to be reimbursed. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA Payments without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), at the end of each remaining month of the COBRA Payment Period, the Company shall pay Executive directly a taxable monthly amount equal to the monthly COBRA Payment that Executive would be required to pay to continue his or her group health insurance coverage, which payments will be made regardless of whether Executive elects COBRA continuation coverage; and provided, further, that if the Company determines, in its sole discretion, at any time that it cannot provide such taxable amounts without a substantial risk of violating applicable law, Executive will not receive the COBRA Payments or any further taxable monthly amounts. Executive agrees to promptly notify the Company in writing if Executive becomes eligible for group health insurance coverage through a new employer before the end of the specified reimbursement period. For sake of reference, all severance benefits provided in entire subsection 9(g)(i) shall be referred to collectively as the "**Severance Benefits**."

**(ii) Preconditions.** As a precondition to receiving any Severance Benefits, Executive must (1) remain in compliance with all continuing obligations Executive owes to the Company, including those set forth under Executive's Proprietary Information Agreement, and (2) within sixty (60) days following the Separation Date (the "**Release Deadline Date**"), Executive must sign and return to the Company, a separation agreement and release of claims in substantially the form attached hereto as **Exhibit B** (the "**Release**") and such Release must become fully-effective and non-revocable by its terms by such Release Deadline Date. None of the severance benefits under this Agreement will commence or otherwise be delivered prior to the effective date of the Release. The Severance will be paid in the form of continuing salary installment payments after the Separation Date, paid on the Company's ordinary payroll schedule starting in the first scheduled payroll date after the Release becomes fully effective and non-revocable (the "**Effective Date of Severance**"), with the first such payment to include the amount of Severance Executive would have received during the period following the Separation Date through such first payroll date if such delay had not been required; provided, however, that any amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and the Treasury Regulations and guidance thereunder, and any applicable state law equivalent, as each may be promulgated, amended or modified from time to time ("**Section 409A**"), shall not be paid until the 60<sup>th</sup> day following such Separation Date to the extent necessary to avoid adverse tax consequences under Section 409A, and such first payment shall include the total amount Executive would have been entitled to receive during the period following the Separation Date through the 60<sup>th</sup> day following the Separation Date if such delay had not been required, subject to Section 11 below. (For avoidance of doubt, no Severance Benefits will be paid under any circumstances if the foregoing preconditions are not satisfied, or if Executive's employment ends because of a resignation without Good Reason, a termination for Cause, or as a result of Executive's death or Disability.)

## **10. CHANGE IN CONTROL BENEFITS.**

**(a) Change in Control Termination.** If Executive's employment with the Company is terminated either by the Company without Cause (but not due to Executive's death or Disability) or as a result of Executive resigns for Good Reason, and such termination occurs during the period beginning on

the date one (1) month before a Change in Control (defined below) through the date thirteen (13) months after a Change in Control (each, a “**CIC Termination**”), Executive shall be eligible to receive the following enhanced severance package (in lieu of the Severance Benefits described in Section 9 above): (i) payment of twelve (12) months of Executive’s Base Salary as in effect immediately prior to the Separation Date, less any applicable withholdings and deductions; (ii) payment of an amount equal to the most recently paid Bonus as described in Section 5 above (the payments under clauses (i) and (ii) referred to as the “**CIC Cash Severance**”); and (iii) accelerated vesting of Executive’s Equity Awards, including any additional awards of stock options and/or Restricted Stock Units so that Executive becomes one hundred percent (100%) vested in all such awards; and (iv) a twenty-four (24) month extension of the exercise period applicable to the Option so that Executive has 365 days after the Separation Date to exercise any vested Option, but no longer than the term/expiration date of the Option (including, for avoidance of doubt, any portion of such Option that became vested as a result of the foregoing accelerated vesting benefit) (the “**Extended Exercise Period**”). In addition, provided Executive timely elects to continue Executive’s group health insurance coverage after the Separation Date pursuant to COBRA, and the terms of the governing health insurance policies, the Company will reimburse for COBRA Payments the Executive pays to continue Executive’s health insurance coverage (including dependent coverage) for twelve (12) months after the Separation Date or until such earlier date as Executive either becomes eligible for group health insurance coverage through a new employer or Executive ceases to be eligible for COBRA coverage. These CIC severance benefits shall be paid subject to the same preconditions set forth in Section 9(g)(ii) (Preconditions) above and on the same terms and conditions applicable to the Severance Benefits; provided, however, that the CIC Cash Severance shall be paid in a lump sum within ten (10) business days of the Effective Date of the Release required under Section 9(g)(ii) (Preconditions) and provided, further, that any amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A will be paid on the 60<sup>th</sup> day following the Separation Date, subject to Section 11 below. For avoidance of doubt, no CIC severance benefits will be paid under any circumstances if the preconditions set forth in Section 9(g)(ii) (Preconditions) are not satisfied, or if Executive’s employment ends because of a resignation without Good Reason, a termination for Cause, or as a result of Executive’s death or Disability. For purposes of clarity, in the event that a CIC Termination occurs and any Severance Benefits under Section 9(g) (or portions thereof) already have been paid to Executive, the corresponding severance payments and benefits payable pursuant to the CIC Termination will be reduced in order to prevent the duplication of benefits to Executive.

**(b) Definition of Change in Control.** For purposes of this Agreement, “**Change in Control**” has the definition set forth in the Equity Plan, provided that a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A.

**11. CODE SECTION 409A COMPLIANCE.** Notwithstanding anything set forth in this Agreement to the contrary, any payments and benefits provided pursuant to this Agreement which constitute “deferred compensation” within the meaning of Section 409A shall not commence until Executive has incurred a “separation from service” (as such term is defined in the Treasury Regulation Section 1.409A-1(h) (“**Separation From Service**”).

For the avoidance of doubt, it is intended that the payments and benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9) and this Agreement will be construed to the greatest extent possible as consistent with those provisions. To the extent not so exempt, this Agreement (any definitions hereunder, and any ambiguities or ambiguous terms) will be construed in a manner that complies with Section 409A and incorporates by reference all required definitions and payment terms. Accordingly, to the extent required to be exempt from or comply with Section 409A, references to the termination of Executive’s employment or similar phrases used in this Agreement will mean Executive’s “separation from service” within the meaning of Section 409A. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and,

accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if the Company (or, if applicable, the successor entity thereto) determines that any payments upon Executive's Separation From Service set forth herein and/or under any other agreement with the Company constitute "deferred compensation" under Section 409A and Executive is, on Executive's Separation From Service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely, to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the payments upon Executive's Separation From Service shall be delayed until the earlier to occur of: (a) the date that is six months and one day after Executive's Separation From Service or (b) the date of Executive's death (such applicable date, the "**Specified Employee Initial Payment Date**"). On the Specified Employee Initial Payment Date, the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the payments upon Executive's Separation From Service that Executive would otherwise have received through the Specified Employee Initial Payment Date if the commencement of the payment of the severance benefits had not been so delayed pursuant to this section and (B) commence paying the balance of the severance benefits in accordance with the applicable payment schedules set forth in this Agreement.

In no event will the Company or any of its subsidiaries or affiliates have any responsibility, liability or obligation to reimburse, indemnify, or hold harmless Executive for any taxes imposed, or other costs incurred, as a result of Section 409A of the Code. The Company reserves the right to amend this Agreement as it considers necessary or advisable, in its sole discretion and without the consent of Executive or any other individual, to comply with any provision required to avoid the imposition of the additional tax imposed under Section 409A or to otherwise avoid income recognition under Section 409A prior to the actual payment of any benefits or imposition of any additional tax. In no event will Executive have any discretion to choose Executive's taxable year in which any payments or benefits are provided under this Agreement.

**12. BETTER AFTER TAX PROVISION.** If any payment or benefit that Executive will or may receive from the Company or otherwise (a "**280G Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then any such 280G Payment will be equal to the Reduced Amount. The "**Reduced Amount**" will be either (x) the largest portion of the 280G Payment that would result in no portion of the 280G Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the 280G Payment, whichever amount (*i.e.*, the amount determined by clause (x) or by clause (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the 280G Payment may be subject to the Excise Tax. If a reduction in a 280G Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction will occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**").

Notwithstanding the foregoing, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the 280G Payment being subject to taxes pursuant to Section 409A that would not otherwise be subject to taxes pursuant to Section 409A, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, will be modified so as to avoid the imposition of taxes pursuant to Section 409A as follows: (A) as a first priority, the modification will preserve to the greatest extent possible, the greatest economic benefit for Executive as determined on an after-tax basis; (B) as a second priority, 280G Payments that are contingent on future events (*e.g.*, being terminated without Cause), will be reduced (or eliminated) before 280G Payments that are not contingent on future events; and (C) as a third priority, 280G Payments that are "deferred compensation" within the meaning of Section 409A will be reduced (or

eliminated) before 280G Payments that are not “deferred compensation” within the meaning of Section 409A. In no event will Executive have any discretion with respect to the ordering of payment reductions.

If Section 280G of the Code is not applicable by law to Executive, the Company will determine whether any similar law in Executive’s jurisdiction applies and should be taken into account.

A nationally recognized independent professional firm selected by the Company will make all determinations required to be made under this Section, which determinations will be conclusive and binding on Executive and the Company. For purposes of making the calculations required by this Section 11, the firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the firm such information and documents as the firm reasonably may request in order to make determinations under this Section 11. The Company will bear the expenses and make all payments required to be made to such firm for the firm’s services rendered to complete the calculations contemplated by this Section 12 (Better After Tax Provision). The Company will use commercially reasonable efforts to cause the firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to the Company and Executive within thirty (30) calendar days after the date on which Executive’s right to a 280G Payment becomes reasonably likely to occur (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. The Company will have no liability to Executive for the determinations of the firm.

Executive will be solely responsible for the payment of all personal tax liability that is incurred as a result of the payments and benefits received under this Agreement, and neither the Company nor any parent, subsidiary or other affiliate of the Company have any responsibility, liability or obligation to reimburse, indemnify or hold harmless Executive for any of those payments of personal tax liability. If Executive receives a 280G Payment for which the Reduced Amount was determined pursuant to clause (x) of the first paragraph of this Section and the Internal Revenue Service determines thereafter that some portion of the 280G Payment is subject to the Excise Tax, Executive will promptly return to the Company a sufficient amount of the 280G Payment (after reduction pursuant to clause (x) of the first paragraph of this Section) so that no portion of the remaining 280G Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of the first paragraph of this Section, Executive will have no obligation to return any portion of the 280G Payment pursuant to the preceding sentence.

### **13. MISCELLANEOUS.**

**(a) Taxes.** The Company (and any parent, subsidiary or other affiliate of the Company, as applicable) will have the right and authority to deduct from any payments or benefits all applicable federal, state, local, and/or non-U.S. taxes or other required withholdings and payroll deductions. Prior to the payment of any amounts or provision of any benefits under this Agreement, the Company (and any parent, subsidiary or other affiliate of the Company, as applicable) will be permitted to deduct or withhold, or require Executive to remit to the Company, an amount sufficient to satisfy any such applicable withholdings and deductions with respect to such payments and benefits. Executive shall be responsible for the payment of any taxes due on any and all compensation, stock option, or benefit provided by the Company pursuant to this Agreement which are not withheld by the Company. Executive agrees to indemnify and hold harmless the Company from any and all claims or penalties asserted against the Company arising from Executive’s failure to pay taxes due on any compensation, stock option, or benefit provided by the Company pursuant to this Agreement. Executive expressly acknowledges that the Company has not made any representation about the tax consequences of any consideration provided by the Company to Executive pursuant to this Agreement.

**(b) Modification/Waiver.** This Agreement may not be amended, modified, superseded, canceled, renewed or expanded, or any terms or covenants hereof waived, except as provided in Section 11 (Code Section 409A Compliance) or by a writing executed by each of the Parties or, in the case of a waiver, by the Party waiving compliance. Failure of any Party at any time to require performance of any provision hereof shall in no manner affect his, her or its right at a later time to enforce such provision. No waiver by a Party of a breach of this Agreement shall be deemed to be or construed as a waiver of any other breach of any term or condition contained in the Agreement.

**(c) Successors and Assigns.** This Agreement may be assigned by the Company to an affiliated entity or to any successor or assignee of the Company with or without Executive's consent. This Agreement shall not be assignable by Executive.

**(d) Notices.** All notices to be given hereunder shall be in writing and shall be deemed to have been duly given on: the date personally or hand delivered; one (1) day after being sent by internationally- recognized overnight delivery courier; and three (3) days after being sent by certified mail, return receipt requested. Notices mailed to Executive shall be sent to Executive's last home address as reflected in the Company's personnel records. Executive promptly shall notify Company of any change in Executive's address. Notices to be issued to the Company shall be directed to the CEO and shall be mailed to the Company's headquarters.

**(e) Dispute Resolution.** To aid in the rapid and economical resolution of any disputes that may arise in the course of Executive's employment relationship, the Parties agree that any and all disputes, claims, or demands arising from or relating to the terms of this Agreement (including but not limited to the Proprietary Information Agreement incorporated by reference herein), Executive's employment relationship with the Company, or the termination of that relationship (including statutory claims), shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Jose, CA conducted before a single neutral arbitrator by JAMS, Inc. ("JAMS") or its successor, under the then applicable JAMS Arbitration Rules and Procedures for Employment Disputes (available at <http://www.jamsadr.com/rules-employment-arbitration/>) and subject to JAMS' Policy on Employment Arbitration Minimum Standards of Procedural Fairness. **The Parties acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute, claim or demand through a trial by jury or judge or by administrative proceeding.** Executive will have the right to be represented by legal counsel at any arbitration proceeding, at Executive's expense. The arbitrator shall: (a) have authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based; and (c) have authority to, in the arbitrator's discretion, award recovery of attorneys' fees and costs to the prevailing party. The Company shall pay all JAMS' arbitration fees. Nothing in this Agreement is intended to prevent either Party from obtaining injunctive relief in a court of applicable jurisdiction to prevent irreparable harm pending the conclusion of any arbitration; or from enforcing any arbitration award in a court of applicable jurisdiction.

**(f) Entire Agreement.** This Agreement, together with the Exhibits, sets forth the complete and exclusive agreement and understanding of the Parties with regard to the subject matter hereof, and supersedes any and all prior or contemporaneous agreements, promises, representations, or communications, written or oral, pertaining to the subject matter hereof. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement, and the invalid or unenforceable provision shall be modified to render it valid and enforceable consistent with the intent of the parties insofar as possible under applicable law. For purposes of construing this Agreement, any ambiguities shall not be construed against any party as the drafter. This Agreement may be executed in counterparts, which shall be deemed to be part of one original, and facsimile signatures, signatures transmitted by .PDF, as well as electronic signatures, shall be

equivalent to original signatures. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Iowa, without regard to conflict of laws principles.

**IN WITNESS WHEREOF**, the Parties have each duly executed this Agreement as of the date written above to indicate their understanding and acceptance of all of the above-stated terms and conditions.

**LUMOS PHARMA, INC.**

By:   /s/Rick Hawkins  

Its:   CEO  

**EXECUTIVE**

  /s/David B Karpf

## EXHIBIT A

### EMPLOYEE PROPRIETARY INFORMATION AGREEMENT EMPLOYEE PROPRIETARY

#### INFORMATION AND INVENTIONS AGREEMENT

This Employee Proprietary Information, Inventions, Non-competition, and Non-solicitation Agreement (this "Agreement") is made in consideration for my employment or continued employment by Lumos Pharma, Inc. or any of its subsidiaries (the "Company"), and the compensation now and hereafter paid to me. I hereby agree as follows:

#### 1. NONDISCLOSURE.

**1.1 Recognition of Company's Rights; Nondisclosure.** At all times during my employment and thereafter, I will hold in strictest confidence and will not disclose, use, lecture upon or publish any of the Company's Proprietary Information (defined below), except as such disclosure, use or publication may be required in connection with my work for the Company, or unless an officer of the Company expressly authorizes such in writing. I will obtain Company's written approval before publishing or submitting for publication any material (written, verbal, or otherwise) that relates to my work at Company and/or incorporates any Proprietary Information. I hereby assign to the Company any rights I may have or acquire in such Proprietary Information and recognize that all Proprietary Information shall be the sole property of the Company and its assigns.

**1.2 Proprietary Information.** The term "**Proprietary Information**" shall mean any and all confidential and/or proprietary knowledge, data or information of the Company. By way of illustration but not limitation, "Proprietary Information" includes (a) tangible and intangible information relating to antibodies and other biological materials, cell lines, samples of assay components, media and/or cell lines and procedures and formulations for producing any such assay components, media and/or cell lines, formulations, products, processes, know-how, designs, formulas, methods, developmental or experimental work, clinical data, improvements, discoveries, plans for research, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, and information regarding the skills and compensation of other employees of the Company; (b) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques (hereinafter collectively referred to as "Inventions"); (c) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (d) information regarding the skills and compensation of other employees of the Company. Notwithstanding the foregoing, it is understood that, at all such times, I am free to use information which is generally known in the trade or industry, which is not gained as result of a breach of this Agreement, and my own, skill, knowledge, know-how and experience to whatever extent and in whichever way I wish.

**1.3 Third Party Information.** I understand, in addition, that the Company has received and in the future will receive from third parties confidential or proprietary information ("Third Party Information") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold Third Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

**1.4 No Improper Use of Information of Prior Employers and Others.** During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any third party, including but not limited to any former employer or any other person or entity to whom I

have an obligation of confidentiality, and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any third party, including but not limited to any former employer or any other person or entity to whom I have an obligation of confidentiality unless consented to in writing by that third party. I will use in the performance of my duties only information which is generally known and used by persons with training and experience comparable to my own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided, obtained, or developed by or for the Company.

## 2. ASSIGNMENT OF INVENTIONS.

**2.1 Proprietary Rights.** The term “**Proprietary Rights**” shall mean all trade secret, patent, copyright, mask work and other intellectual property rights throughout the world.

**2.2 Prior Inventions.** Inventions, if any, patented or unpatented, which I made prior to the commencement of my employment with the Company are excluded from the scope of this Agreement. To preclude any possible uncertainty, I have set forth on *Exhibit A* (Previous Inventions) attached hereto a complete list of all Inventions that I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company, that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement (collectively referred to as “**Prior Inventions**”). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party (ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. A space is provided on Exhibit A for such purpose. If no such disclosure is attached, I represent that there are no Prior Inventions. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, modify, use and sell such Prior Invention. Notwithstanding the foregoing, I agree that I will not incorporate, or permit to be incorporated, Prior Inventions in any Company Inventions without the Company’s prior written consent.

**2.3 Assignment of Inventions.** Subject to Sections 2.4, and 2.6, I hereby assign and agree to assign in the future (when any such Inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all my right, title and interest in and to any and all Inventions (and all Proprietary Rights with respect thereto) whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment with the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 2, are hereinafter referred to as “Company Inventions.”

**2.4 Nonassignable Inventions.** I recognize that, in the event of a specifically applicable state law, regulation, rule, or public policy (“Specific Inventions Law”), this Agreement will not be deemed to require assignment of any invention which qualifies fully for protection under a Specific Inventions Law by virtue of the fact that any such invention was, for example, developed entirely on my own time without using the Company’s equipment, supplies, facilities, or trade secrets and neither related to the Company’s actual or demonstrably anticipated business, research or development, nor resulted from work performed by me for the Company. In the absence of a Specific Inventions Law, the preceding sentence will not apply.

**2.5 Obligation to Keep Company Informed.** During the period of my employment with the Company, I will promptly disclose to the Company fully and in writing all Inventions authored, conceived or reduced to practice by me, either alone or jointly with others; and all patent applications filed by me or on my behalf. At the time of each such disclosure, I will advise the Company in writing of any Inventions



that I believe fully qualify for protection under the provisions of a Specific Inventions Law; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. The Company will keep in confidence and will not use for any purpose or disclose to third parties without my consent any confidential information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under a Specific Inventions Law. I will preserve the confidentiality of any Invention that does not fully qualify for protection under a Specific Inventions Law.

**1.6 Government or Third Party.** I also agree to assign all my right, title and interest in and to any particular Company Invention to a third party, including without limitation the United States, as directed by the Company.

**1.7 Works for Hire.** I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment at the Company and which are protectable by copyright are “works made for hire,” pursuant to United States Copyright Act (17 U.S.C., Section 101).

**1.8 Enforcement of Proprietary Rights.**

**(i) Obligation to Assist.** I will assist the Company in every proper way to obtain, and from time to time enforce, United States and foreign Proprietary Rights relating to Company Inventions in any and all countries. To that end I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such Proprietary Rights and the assignment thereof. In addition, I will execute, verify and deliver assignments of such Proprietary Rights to the Company or its designee. My obligation to assist the Company with respect to Proprietary Rights relating to such Company Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for time actually spent by me at the Company’s request on such assistance.

**(ii) Appointment of Attorney in Fact.** In the event the Company is unable for any reason, after reasonable effort, to secure my signature on any document needed in connection with the actions specified in the preceding paragraph, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

**3. NO CONFLICTS, NON-SOLICITATION, AND NON-INTERFERENCE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company’s Proprietary Information, I agree that during the period of my employment by the Company I will not, without the Company’s express written consent, engage in any other employment or business activity directly related to the business in which the Company is now involved or becomes involved, nor will I engage in any other activities which conflict with my obligations to the Company or the interests of the Company. For the period of my employment by the Company and continuing until one year after my last day of employment with the Company, I will not: (a) directly or indirectly induce any employee of the Company to terminate or reduce his or her relationship with the Company; (b) solicit the business of any Client or Customer of the Company (other than on behalf of the Company) for any competitive purpose; or (c) induce any supplier, vendor, consultant or independent contractor of the Company to terminate or reduce his, her or its relationship with the Company. I agree that for purposes of this Agreement, a “**Client or Customer**” is any person or entity with whom or which, at any time during the two year period prior to my last day of employment with the Company, (i) I had direct dealings; (ii) an individual whom I supervised had direct dealings; or (iii) about whom or which I obtained confidential information. If any restriction set

forth in this Section is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4. COVENANT NOT TO COMPETE.** I acknowledge that during my employment I will have access to and knowledge of Proprietary Information. To protect the Company's Proprietary Information, I agree that during my employment with the Company, whether full-time or part-time, I will not directly or indirectly engage in (whether as an employee, consultant, proprietor, partner, director or otherwise), or have any ownership interest in, or participate in the financing, operation, management or control of, any person, entity, corporation or business that engages in a "Restricted Business" in a "Restricted Territory" (as defined below). It is agreed that ownership of (i) no more than one percent (1%) of the outstanding voting stock of a publicly traded corporation, or (ii) any stock I presently own shall not constitute a violation of this provision.

**4.1 Reasonable.** I agree and acknowledge that the time limitation on the restrictions in this paragraph, combined with the geographic scope, is reasonable. I also acknowledge and agree that this paragraph is reasonably necessary for the protection of the Company's Proprietary Information as defined in paragraph 1.2 herein, that through my employment I shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting the Company's business value, some of which will be imparted to me in the ordinary course of my employment with the Company. If any restriction set forth in this paragraph 4 is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

**4.2** As used herein, the terms:

**(i) "Restricted Business"** shall mean a business that is engaged in or is preparing to engage in any of the areas that the Company is actively pursuing, including but not limited to research, development and/or commercialization of (1) one or more products for the treatment of any rare disease based upon the Company's LUM-201 technology platform; (2) one or more products for the treatment of any rare disease utilizing growth hormone, recombinant growth hormone, or any isoforms, analogs or secretagogues thereof; (3) vaccines against the Ebola virus; or (4) any other area of research, development, or commercialization drug or biologic candidate which is intended to address a rare disease that (i) is the subject area of research, development, or commercialization in which the Company or any subsidiary is engaged pursuant to a program which is being materially funded by the Company, a strategic partner of the Company, and/or a grant to the Company and (ii) as to which I participated in or was familiar with the details of such research, development or commercialization during my time of my employment with Company or regarding which I possess Confidential Information. For purposes of the preceding sentence, the determination of the scope of the Company's business activities shall be made as of the date of termination of my employment.

**(ii) "Restricted Territory"** shall mean any state, county, or locality in the United States in which the Company conducts business and any other country, city, state, jurisdiction, or territory in which the Company does business or plans to do business.

**5. RECORDS.** I agree to keep and maintain adequate and current records (in the form of notes, sketches, drawings and any other form that may be required by the Company) of all Proprietary Information developed by me and all Company Inventions made by me during the period of my employment at the Company, which records shall be available to and remain the sole property of the Company at all times.

**6. NO CONFLICTING OBLIGATION.** I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company, nor any other lawful obligation I have to any third party. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

**7. RETURN OF COMPANY MATERIALS.** When I leave the employ of the Company, or earlier if requested by the Company, I will deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, documents, materials, and tangible or intangible property of the Company together with all copies thereof, and any other material containing or embodying any Company Inventions, Third Party Information or Proprietary Information of the Company without retaining any reproductions or embodiments thereof in whole or in part and in any medium. By way of example, such items include but are not limited to: Company files, records, plans, forecasts, reports, studies, analyses, proposals, agreements, financial information, information regarding potential business development partners, research and development information, sales and marketing information, operational and personnel information, code, software, databases, computer-recorded information, and tangible property and equipment (including, but not limited to, computers, data storage devices, facsimile machines, mobile telephones, servers, credit cards, entry cards, identification badges and keys). In addition, if I have used any personal computer, server, or e-mail system to receive, store, review, prepare or transmit any Company information, including but not limited to, Confidential Information, I agree to provide Company with a computer-useable copy of all such Confidential Information and then permanently delete and expunge such Confidential Information from those systems; and I agree to provide Company access to my system as reasonably requested to verify that the necessary copying and/or deletion is completed. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

**8. LEGAL AND EQUITABLE REMEDIES.** Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

**9. NOTICES.** Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery or express delivery service (e.g., FedEx) to the appropriate address; upon delivery via facsimile; or if sent by certified or registered mail, three days after the date of mailing.

**10. NOTIFICATION OF NEW EMPLOYER.** In the event that I leave the employ of the Company, I hereby consent to the notification of my new employer of my rights and obligations under this Agreement.

**11. PROTECTED ACTIVITY NOT PROHIBITED.** I acknowledge and agree that nothing in this Agreement limits or prohibits me from filing and/or pursuing a charge or complaint with, or otherwise communicating or cooperating with or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("**Government Agencies**"), including disclosing documents or other information as permitted by law, without giving notice to, or receiving authorization from, the Company. In addition, nothing in this Agreement is intended to limit employees' rights to discuss the terms, wages, and working conditions of their employment, nor to deny employees the right to disclose information pertaining to sexual harassment or any unlawful or potentially unlawful conduct, as protected by applicable law. I further understand that I am not permitted to disclose the Company's attorney-client privileged communications or attorney work product. In addition, I acknowledge that the Company has provided me with notice in compliance with the Defend Trade Secrets

Act of 2016 regarding immunity from liability for limited disclosures of trade secrets. The full text of the notice is attached in **Appendix A**.

## **12. GENERAL PROVISIONS.**

**11.1 Governing Law; Consent to Personal Jurisdiction and Exclusive Forum.** This Agreement will be governed by and construed according to the laws of the State of Texas as such laws are applied to agreements entered into and to be performed entirely within Texas between Texas residents. I hereby expressly understand and consent that my employment is a transaction of business in the State of Texas and constitutes the minimum contacts necessary to make me subject to the personal jurisdiction of the federal courts located in the State of Texas, and the state courts located in the County of Travis, Texas, for any lawsuit filed against me by Company arising from or related to this Agreement. I agree and acknowledge that any controversy arising out of or relating to this Agreement or the breach thereof, or any claim or action to enforce this Agreement or portion thereof, or any controversy or claim requiring interpretation of this Agreement must be brought in a forum located within the State of Texas. No such action may be brought in any forum outside the State of Texas. Any action brought in contravention of this paragraph by one party is subject to dismissal at any time and at any stage of the proceedings by the other, and no action taken by the other in defending, counter claiming or appealing shall be construed as a waiver of this right to immediate dismissal. A party bringing an action in contravention of this paragraph shall be liable to the other party for the costs, expenses and attorney's fees incurred in successfully dismissing the action or successfully transferring the action to the federal courts located in the State of Texas, or the state courts located in the County of Travis, Texas.

**11.2 Severability.** In case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement; this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein; and such provision shall be deemed modified and enforceable, insofar as possible consistent with its original intent. By way of example, if, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

**11.3 Successors and Assigns.** This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns. My obligations under this Agreement are not assignable to any party.

**11.4 Survival.** The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

**11.5 Employment.** I agree and understand that my employment is at-will which means I or the Company each have the right to terminate my employment, with or without advanced notice and with or without cause. I further agree and understand that nothing in this Agreement shall confer any right with respect to continuation of employment by the Company, nor shall it interfere in any way with my right or the Company's right to terminate my employment at any time, with or without cause.

**11.6 Waiver.** To be valid, any waiver by me or the Company of any breach of this Agreement or right hereunder shall be specifically stated in writing, and shall not be a waiver of any preceding or succeeding breach unless so specifically stated. No waiver of any right under this Agreement and applicable law shall be construed as a waiver of any other right. Neither party shall be required to give notice to enforce strict adherence to all terms of this Agreement.

**11.7 Entire Agreement.** The obligations pursuant to this Agreement shall apply to any time during which I was previously, or am in the future, employed or engaged as a consultant by the Company, if no other agreement governs the subject matter thereof. This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior communications and representations with respect to such subject matter. No modification of or amendment to this Agreement will be effective unless in writing and signed by the party to be charged. Any subsequent changes in my duties, salary or compensation will not affect the validity or scope of this Agreement.

**EMPLOYEE PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT ACKNOWLEDGEMENT FORM**

I acknowledge that I have been given a copy of the Employee Proprietary Information and Inventions Agreement, that I have read it, and that I understand its terms and procedures. Furthermore, I agree to abide by it and understand that if Lumos Pharma determines my conduct warrants it, I may be subject to discipline for breaches hereof, up to and including the immediate termination of my employment.

David B. Karpf \_\_\_\_\_  
Employee's Name (Please Print)

/s/David B. Karpf \_\_\_\_\_  
Employee's Signature

August 3, 2021 \_\_\_\_\_  
Date

**APPENDIX A**

**Section 7 of the Defend Trade Secrets Act of 2016**

“ . . . An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. . . . An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—  
(A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.”

**EXHIBIT B**

**RELEASE**

**[To be signed on or within twenty-one (21) days after the Separation Date]**

My employment with Lumos Pharma, Inc. (the “**Company**”) ended in all capacities on\_\_ (the “**Separation Date**”). I hereby confirm that I have been paid all compensation owed to me by the Company for all hours worked; I have received all the leave and leave benefits and protections for which I was eligible, pursuant to the Company’s policies, applicable law, or otherwise; and I have not suffered any on-the-job injury or illness for which I have not already filed a workers’ compensation claim.

If I choose to enter into this Release and allow it to become effective by its terms, the Company will provide me with certain severance benefits pursuant to the terms of the Employment Agreement between me and the Company dated\_\_, 2021 (the “**Agreement**”). I understand that I am not entitled to such severance benefits unless I return this fully-executed Release to the Company within twenty-one (21) days after the Separation Date, and allow this Release to become fully effective and non-revocable by its terms. (Capitalized terms used but not defined in this Release shall have the meaning ascribed to them in the Agreement.)

In exchange for the severance benefits to which I would not otherwise be entitled, I hereby generally and completely release the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the “**Released Parties**”) from any and all claims, liabilities and obligations, both known and unknown, arising from or in any way related to events, acts, conduct, or omissions occurring prior to or at the time that I sign this Release, including but not limited to claims arising from or in any way related to my employment with the Company or the termination of that employment (collectively, the “**Released Claims**”). By way of example, the Released claims include, but are not limited to: (1) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (2) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (3) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (4) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“**ADEA**”), and Iowa state law.

Notwithstanding the foregoing, the following are not included in the Released Claims (the “**Excluded Claims**”): (a) any claims for breach of the Agreement arising after the date on which I sign this Release;

(2) claims for reimbursement of properly incurred business expenses prior to and through the Separation Date which are submitted to the Company for reimbursement within thirty (30) days after the Separation Date; (3) all rights I have in respect of the Equity Awards; (4) all claims for or rights to indemnification pursuant to the articles of incorporation and bylaws of the Company, any indemnification agreement to which I am a party, or under applicable law; and (5) all claims which cannot be waived as a matter of law. I understand that nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other government agency, except that I acknowledge and agree that I am hereby waiving my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims that I have or might have against any of the parties released above that are not included in the Released Claims.

**[IF EXECUTIVE IS 40 YEARS OF AGE OR OLDER]** I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given for this Release is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised, as required by the ADEA, that: (a) my waiver and release does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised that I have the right to consult with an attorney prior to executing this Release (although I may choose voluntarily not to do so); (c) I have been given twenty-one (21) days to consider this Release (although I may choose voluntarily to sign it earlier); (d) I have seven (7) days following my execution of this Release to revoke my acceptance of it (with such revocation to be delivered in writing to the Company within the 7-day revocation period); and (e) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth day after I sign it, provided I do not earlier revoke it ("**Effective Date**").

I further agree: (a) not to disparage the Company or any of the other Released Parties, in any manner likely to be harmful to its or their business, business reputation or personal reputation (although I may respond accurately and fully to any question, inquiry or request for information as required by legal process); (b) not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceedings against the Company, its affiliates, officers, directors, employees or agents; and (c) to reasonably cooperate with the Company by voluntarily (without legal compulsion) providing accurate and complete information, in connection with the Company's actual or contemplated defense, prosecution or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or omissions that occurred during my employment with the Company. I hereby certify that I have returned, without retaining any reproductions (in whole or in part), all information, materials and other property of the Company, including but not limited to any such information, materials or property contained on any personally-owned electronic or other storage device (such as computer, cellular phone, PDA, tablet or the like).

This Release, together with the Agreement (including all Exhibits and documents incorporated therein by reference), constitutes the complete, final and exclusive embodiment of the entire agreement between me and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained in the Release or the Agreement, and it entirely supersedes any other such promises, warranties or representations, whether oral or written.

**Reviewed, Understood and Agreed:**

By: \_\_\_

Date: \_\_\_





## CERTIFICATION

I, Richard J. Hawkins, certify that:

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

Date: November 5, 2021

By: /s/ Richard J. Hawkins  
Richard J. Hawkins  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Lori Lawley, certify that:

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

Date: November 5, 2021

By: /s/ Lori Lawley  
Lori Lawley  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION**

Pursuant to the requirements set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Richard J. Hawkins, Chief Executive Officer of Lumos Pharma, Inc. (the "Company"), and Lori Lawley, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2021, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**In Witness Whereof**, the undersigned have set their hands hereto as of November 5, 2021.

By: /s/ Richard J. Hawkins

Richard J. Hawkins

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Lori Lawley

Lori Lawley

Chief Financial Officer

(Principal Financial Officer)

"This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."