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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from to

Commission file number: 001-35403

Verastem, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-3269467**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
117 Kendrick Street, Suite 500	
Needham, MA	**02494**
(Address of principal executive offices)	(Zip Code)

(781) 292-4200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	VSTM	The Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of May 6, 2020, there were 162,533,959 shares of Common Stock outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements related to present facts or current conditions or historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. Such statements relate to, among other things, the development and activity of our marketed product, COPIKTRA®, our product candidates, VS-6766 and defactinib, and our phosphoinositide 3-kinase (PI3K), focal adhesion kinase (FAK) and rapidly accelerated fibrosarcoma (RAF)/ mitogen-activated protein kinase kinase (MEK) programs generally, the potential commercial success of COPIKTRA, the anticipated adoption of COPIKTRA by patients and physicians, the structure of our planned and pending clinical trials, and the timeline and indications for clinical development, regulatory submissions and commercialization of activities. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements we make. Applicable risks and uncertainties include the risks and uncertainties, among other things, regarding: the commercial success of COPIKTRA in the United States; physician and patient adoption of COPIKTRA, including those related to the safety and efficacy of COPIKTRA; the uncertainties inherent in research and development of VS-6766, defactinib and COPIKTRA, such as negative or unexpected results of clinical trials; whether and when any applications for VS-6766, defactinib and COPIKTRA may be filed with regulatory authorities in any other jurisdictions; whether and when regulatory authorities in any other jurisdictions may approve any such other applications that may be filed for VS-6766, defactinib or COPIKTRA, which will depend on the assessment by such regulatory authorities of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted and, if approved, whether VS-6766, defactinib, or COPIKTRA will be commercially successful in such jurisdictions; our ability to obtain, maintain and enforce patent and other intellectual property protection for VS-6766, defactinib and COPIKTRA; the scope, timing, and outcome of any legal proceedings; decisions by regulatory authorities regarding labeling and other matters that could affect the availability or commercial potential of COPIKTRA; the fact that regulatory authorities in the U.S. or other jurisdictions, if approved, could withdraw approval; whether preclinical testing of our product candidates and preliminary or interim data from clinical trials will be predictive of the results or success of ongoing or later clinical trials; that the timing, scope and rate of reimbursement for our product candidates is uncertain; that third-party payors (including government agencies) may not reimburse for COPIKTRA; that there may be competitive developments affecting our product candidates; that data may not be available when expected; that enrollment of clinical trials may take longer than expected; that VS-6766, defactinib, or COPIKTRA will cause unexpected safety events, experience manufacturing or supply interruptions or failures, or result in unmanageable safety profiles as compared to their levels of efficacy; that COPIKTRA will be ineffective at treating patients with lymphoid malignancies; that we face substantial competition, which may result in others developing or commercializing products before or more successfully than we do which could result in reduced market share or market potential for COPIKTRA, VS-6766 or defactinib; that we will be unable to successfully initiate or complete the clinical development and eventual commercialization of our product candidates; that the development and commercialization of our product candidates will take longer or cost more than planned; that we may not have sufficient cash to fund our contemplated operations; that we may not realize the operational efficiencies and cost savings from restructuring, that we, Sanofi, CSPC Pharmaceutical Group Limited, Yakult Honsha Co., Ltd., Chugai Pharmaceutical, Co. Ltd, or Infinity Pharmaceuticals, Inc. will fail to fully perform under the license agreements; that we may be unable to make additional draws under our debt facility or obtain adequate financing in the future through product licensing, co-promotional arrangements, public or private equity, debt financing or otherwise; that we will not pursue or submit regulatory filings for our product candidates, including for duvelisib in patients with chronic lymphocytic leukemia/small lymphocytic lymphoma (CLL/SLL) or indolent non-Hodgkin lymphoma (iNHL) in other jurisdictions; that our product candidates will not receive regulatory approval, become commercially successful products, or result in new treatment options being offered to patients; and that the duration and impact of COVID-19 may affect, precipitate or exacerbate one or more of the foregoing risks and uncertainties. Other risks and uncertainties include those identified in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (SEC) on March 11, 2020, and in any subsequent filing with the SEC.

As a result of these and other factors, we may not achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. The forward-looking statements contained in this Quarterly Report on Form 10-Q reflect our views as of the date hereof. We do not assume and specifically disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited).

Verastem, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 135,061	$ 43,514
Short-term investments	—	31,992
Accounts receivable, net	3,326	2,524
Inventory	4,372	3,096
Prepaid expenses and other current assets	5,887	3,835
Total current assets	148,646	84,961
Property and equipment, net	866	947
Right-of-use asset, net	2,995	3,077
Intangible assets, net	19,616	20,008
Restricted Cash	35,241	35,241
Other assets	790	812
Total assets	$ 208,154	$ 145,046
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 7,233	$ 9,655
Accrued expenses	18,010	19,365
Lease liability, short-term	485	420
Derivative liability, short-term	—	450
Total current liabilities	25,728	29,890
Non-current liabilities:		
Long-term debt	35,276	35,067
Convertible senior notes	19,938	68,556
Lease liability, long-term	3,359	3,489
Other non-current liabilities	870	870
Total liabilities	85,171	137,872
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000 shares authorized, no shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	—	—
Common stock, $0.0001 par value; 200,000 shares authorized, 162,356 and 80,118 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	16	8
Additional paid-in capital	685,733	531,937
Accumulated other comprehensive income	9	14
Accumulated deficit	(562,775)	(524,785)
Total stockholders' equity	122,983	7,174
Total liabilities and stockholders' equity	$ 208,154	$ 145,046

See accompanying notes to the condensed consolidated financial statements.

Verastem, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except per share amounts)

	Three months ended March 31,	
	2020	2019
Revenue:		
Product revenue, net	$ 5,034	$ 1,671
License and collaboration revenue	22	—
Total revenue	5,056	1,671
Operating expenses:		
Cost of sales - product	495	158
Cost of sales - intangible amortization	392	392
Research and development	10,924	9,758
Selling, general and administrative	19,604	26,033
Total operating expenses	31,415	36,341
Loss from operations	(26,359)	(34,670)
Other expense	(1,313)	—
Interest income	356	1,497
Interest expense	(10,674)	(4,929)
Net loss	$ (37,990)	$ (38,102)
Net loss per share—basic and diluted	$ (0.35)	$ (0.52)
Weighted average common shares outstanding used in computing net loss per share - basic and diluted	108,153	73,854
Net loss	$ (37,990)	$ (38,102)
Unrealized (loss) gain on available-for-sale securities	(5)	(17)
Comprehensive loss	$ (37,995)	$ (38,119)

See accompanying notes to the condensed consolidated financial statements.

Verastem, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share data)

	Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance at December 31, 2019	**80,117,531**	**$ 8**	**$ 531,937**	**$ 14**	**$ (524,785)**	**$ 7,174**
Net loss	—	—	—	—	(37,990)	(37,990)
Unrealized (loss) on available-for-sale marketable securities	—	—	—	(5)	—	(5)
Issuance of common stock resulting from exercise of stock options	645,628	—	983	—	—	983
Issuance of common stock resulting from vesting of restricted stock units	58,166	—	(51)	—	—	(51)
Stock-based compensation expense	—	—	1,370	—	—	1,370
Issuance of common stock resulting from private investment in public equity offering, net of issuance costs of $6,171	46,511,628	5	93,824	—	—	93,829
Issuance of common stock under Employee Stock Purchase Plan	227,141	—	259	—	—	259
Conversion of 2019 Notes into common stock	34,796,350	3	57,411	—	—	57,414
Balance at March 31, 2020	**162,356,444**	**$ 16**	**$ 685,733**	**$ 9**	**$ (562,775)**	**$ 122,983**

Balance at December 31, 2018	**73,806,344**	**$ 7**	**$ 499,741**	**$ 127**	**$ (375,576)**	**$ 124,299**
Net loss	—	—	—	—	(38,102)	(38,102)
Unrealized (loss) on available-for-sale marketable securities	—	—	—	(17)	—	(17)
Issuance of common stock resulting from exercise of stock options	46,803	—	75	—	—	75
Issuance of common stock resulting from vesting of restricted stock units	23,792	—	(43)	—	—	(43)
Stock-based compensation expense	—	—	2,248	—	—	2,248
Balance at March 31, 2019	**73,876,939**	**$ 7**	**$ 502,021**	**$ 110**	**$ (413,678)**	**$ 88,460**

See accompanying notes to the condensed consolidated financial statements.

Verastem, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Year ended March 31,	
	2020	2019
Operating activities		
Net loss	$ (37,990)	$ (38,102)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	94	113
Amortization of acquired intangible asset	392	392
Amortization of right-of-use asset and lease liability	17	57
Stock-based compensation expense	1,370	2,248
Amortization of deferred financing costs, debt discounts and premiums and discounts on available-for-sale marketable securities	8,779	1,608
Change in fair value of interest make whole provision for 2019 Notes	1,313	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(802)	(252)
Inventory	(1,276)	21
Prepaid expenses, other current assets and other assets	(2,109)	(1,094)
Accounts payable	(2,535)	(1,660)
Accrued expenses and other liabilities	(1,256)	(2,111)
Net cash used in operating activities	(34,003)	(38,780)
Investing activities		
Purchases of investments	—	(37,637)
Maturities of investments	32,050	38,000
Net cash provided by investing activities	32,050	363
Financing activities		
Proceeds from the exercise of stock options and employee stock purchase program	1,242	75
Interest make-whole payments on the 2019 Notes	(1,763)	—
Proceeds from the issuance of common stock, net	93,942	—
Net cash provided by financing activities	93,421	75
Increase (decrease) in cash, cash equivalents and restricted cash	91,468	(38,342)
Cash, cash equivalents and restricted cash at beginning of period	79,262	130,608
Cash, cash equivalents and restricted cash at end of period	$ 170,730	$ 92,266
Supplemental disclosure of non-cash investing and financing activities		
Common stock issuance costs included in accounts payable and accrued expenses	$ 128	$ 15
Conversion of 2019 Notes into common stock	$ 57,414	$ —
Purchases of property and equipment included in accounts payable and accrued expenses	$ 13	$ —
Settlement of restricted stock units for tax withholdings included in accrued expenses	$ 51	$ —

See accompanying notes to the condensed consolidated financial statements.

Verastem, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Nature of business

Verastem, Inc. (the Company) is a biopharmaceutical company focused on developing and commercializing medicines to improve the survival and quality of life of cancer patients. On September 24, 2018, the Company's first commercial product, COPIKTRA® (duvelisib), was approved by the U.S. Food and Drug Administration (the FDA) for the treatment of adult patients with certain hematologic cancers including relapsed or refractory chronic lymphocytic leukemia/ small lymphocytic lymphoma (CLL/SLL) after at least two prior therapies and relapsed or refractory follicular lymphoma (FL) after at least two prior systemic therapies. Its marketed product, COPIKTRA, and most advanced product candidates, defactinib and VS-6766 (formerly known as CH5126766, CK127, and RO5126766), utilize a multi-faceted approach designed to treat cancers originating either in the blood or major organ systems. The Company is currently developing its product candidates in both preclinical and clinical studies as potential therapies for certain cancers, including leukemia, lymphoma, lung cancer, head and neck cancer, ovarian cancer, colorectal cancer, lung cancer, pancreatic cancer, and mesothelioma. The Company believes that these compounds may be beneficial as therapeutics either as single agents or when used in combination with immuno-oncology agents, other pathway inhibitors or other current and emerging standard of care treatments in aggressive cancers that do not adequately respond to currently available therapies.

The condensed consolidated financial statements include the accounts of Verastem Securities Company and Verastem Europe GmbH, wholly-owned subsidiaries of the Company. All financial information presented has been consolidated and includes the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The Company is subject to the risks associated with other life science companies, including, but not limited to, possible failure of preclinical testing or clinical trials, competitors developing new technological innovations, inability to obtain marketing approval of the Company's product candidates, VS-6766 and defactinib, market acceptance and the commercial success of COPIKTRA, and the Company's product candidates, VS-6766 and defactinib, following receipt of regulatory approval, and, protection of proprietary technology and the continued ability to obtain adequate financing to fund the Company's future operations. If the Company does not obtain marketing approval and successfully commercialize its product candidates, VS-6766 and defactinib following regulatory approval, or successfully commercialize COPIKTRA, it will be unable to generate product revenue or achieve profitability and may need to raise additional capital.

The Company has historical losses from operations and anticipates that it will continue to incur losses as it continues the research and development of its product candidates and commercialization of COPIKTRA. As of March 31, 2020, the Company had cash, cash equivalents, restricted cash and short-term investments of $170.7 million, inclusive of $35.7 million of restricted cash, and accumulated deficit of $562.8 million. The Company expects its existing cash resources, along with revenue the Company expects to generate from sales of COPIKTRA, will be sufficient to fund its planned operations through 12 months from the date of issuance of these condensed consolidated financial statements.

The Company expects to finance the future development costs of its clinical product portfolio with its existing cash, cash equivalents and short-term investments, or through strategic financing opportunities that could include, but are not limited to collaboration agreements, future offerings of its equity, or the incurrence of debt. However, there is no guarantee that any of these strategic or financing opportunities will be executed or executed on favorable terms, and some could be dilutive to existing stockholders. If the Company fails to obtain additional future capital, it may be unable to complete its planned preclinical studies and clinical trials and obtain approval of certain investigational product candidates from the FDA or foreign regulatory authorities.

2. Summary of significant accounting policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial reporting and as required by Regulation S-X, Rule 10-01 under the assumption that the Company will continue as a going concern for the next twelve months. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements, or any adjustments that might result from the uncertainty related to the Company's ability to continue as a going concern. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2020. For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (SEC) on March 11, 2020.

Significant Accounting Policies

The significant accounting policies identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 that require the Company to make estimates and assumptions include accrued research and development expenses, stock-based compensation, revenue recognition, collaborative arrangements, accounts receivable, inventory and intangible assets. During the three months ended March 31, 2020 there were no material changes to the significant accounting policies.

Revenue Recognition

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services in accordance with ASC 606 *Revenue from Contracts with Customers*. To determine revenue recognition for contracts with its customers, the Company performs the following five step assessment: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception and once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract, determines which goods and services are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Product Revenue, Net – The Company sells COPIKTRA to a limited number of specialty pharmacies and specialty distributors in the United States. These customers subsequently resell COPIKTRA either directly to patients or to community hospitals or oncology clinics with in-office dispensaries who in turn distribute COPIKTRA to patients. In addition to distribution agreements with customers, the Company also enters into arrangements with (1) certain government agencies and various private organizations (Third-Party Payers), which may provide for chargebacks or discounts with respect to the purchase of COPIKTRA, and (2) Medicare and Medicaid, which may provide for certain rebates with respect to the purchase of COPIKTRA.

The Company recognizes revenue on sales of COPIKTRA when a customer obtains control of the product, which occurs at a point in time (typically upon delivery). Product revenues are recorded at the wholesale acquisition costs, net of applicable reserves for variable consideration. Components of variable consideration include trade discounts and allowances, Third-Party Payer chargebacks and discounts, government rebates, other incentives, such as

voluntary co-pay assistance, product returns, and other allowances that are offered within contracts between the Company and customers, payors, and other indirect customers relating to the Company's sale of COPIKTRA. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales, and are classified as reductions of accounts receivable or a current liability. These estimates take into consideration a range of possible outcomes based upon relevant factors such as customer contract terms, information received from third parties regarding the anticipated payor mix for COPIKTRA, known market events and trends, industry data, and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled with respect to sales made.

The amount of variable consideration which is included in the transaction price may be constrained and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under contracts will not occur in a future period. The Company's analyses contemplate the application of the constraint in accordance with ASC 606. For the three months ended March 31, 2020, the Company determined a material reversal of revenue would not occur in a future period for the estimates detailed below and, therefore, the transaction price was not reduced further. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from the Company's estimates, the Company will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

Trade Discounts and Allowances: The Company generally provides customers with invoice discounts on sales of COPIKTRA for prompt payment, which are explicitly stated in the Company's contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized. In addition, the Company compensates its specialty distributor customers for sales order management, data, and distribution services. The Company has determined such services are not distinct from the Company's sale of COPIKTRA to the specialty distributor customers and, therefore, these payments have also been recorded as a reduction of revenue within the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020.

Third-Party Payer Chargebacks, Discounts and Fees: The Company executes contracts with Third-Party Payers which allow for eligible purchases of COPIKTRA at prices lower than the wholesale acquisition cost charged to customers who directly purchase the product from the Company. In some cases, customers charge the Company for the difference between what they pay for COPIKTRA and the ultimate selling price to the Third-Party Payers. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable, net. Chargeback amounts are generally determined at the time of resale to the qualified Third-Party Payer by customers, and the Company generally issues credits for such amounts within a few weeks of the customer's notification to the Company of the resale. Reserves for chargebacks consist of credits that the Company expects to issue for units that remain in the distribution channel inventories at the end of each reporting period that the Company expects will be sold to Third-Party Payers, and chargebacks that customers have claimed, but for which the Company has not yet issued a credit. In addition, the Company compensates certain Third-Party Payers for administrative services, such as account management and data reporting. These administrative service fees have also been recorded as a reduction of product revenue within the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2020.

Government Rebates: The Company is subject to discount obligations under state Medicaid programs and Medicare. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses on the condensed consolidated balance sheets. For Medicare, the Company also estimates the number of patients in the prescription drug coverage gap for whom the Company will owe an additional liability under the Medicare Part D program. The Company's liability for these rebates consists of invoices received for claims from prior quarters that have not been paid or for which an invoice has not yet been received, estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but which remains in the distribution channel inventories at the end of each reporting period.

Other Incentives: Other incentives which the Company offers include voluntary co-pay assistance programs, which are intended to provide financial assistance to qualified commercially-insured patients with prescription drug co-payments required by payors. The calculation of the accrual for co-pay assistance is based on an estimate of claims and

the cost per claim that the Company expects to receive for product that has been recognized as revenue but remains in the distribution channel inventories at the end of each reporting period. The adjustments are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included as a component of accrued expenses on the condensed consolidated balance sheets.

Product Returns: Consistent with industry practice, the Company generally offers customers a limited right of return for product that has been purchased from the Company. The Company estimates the amount of its product sales that may be returned by its customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company estimates product return liabilities using available industry data and its own sales information, including its visibility into the inventory remaining in the distribution channel.

Subject to certain limitations, the Company's return policy allows for eligible returns of COPIKTRA for credit under the following circumstances:

- Receipt of damaged product;
- Shipment errors that were a result of an error by the Company;
- Expired product that is returned during the period beginning three months prior to the product's expiration and ending six months after the expiration date;
- Product subject to a recall; and
- Product that the Company, at its sole discretion, has specified can be returned for credit.

As of March 31, 2020, the Company has not received any returns.

If taxes should be collected from customers relating to product sales and remitted to governmental authorities, they will be excluded from product revenue. The Company expenses incremental costs of obtaining a contract when incurred, if the expected amortization period of the asset that the Company would have recognized is one year or less. However, no such costs were incurred during the three months ended March 31, 2020.

Exclusive Licenses of Intellectual Property - The Company may enter into collaboration and licensing arrangements for research and development, manufacturing, and commercialization activities with collaboration partners for the development and commercialization of its product candidates, which have components within the scope of ASC 606. The arrangements generally contain multiple elements or deliverables, which may include (i) licenses, or options to obtain licenses, to the Company's intellectual property, (ii) research and development activities performed for the collaboration partner, (iii) participation on joint steering committees, and (iv) the manufacturing of commercial, clinical or preclinical material. Payments pursuant to these arrangements typically include non-refundable, upfront payments, milestone payments upon the achievement of significant development events, research and development reimbursements, sales milestones, and royalties on product sales. The amount of variable consideration is constrained until it is probable that the revenue is not at a significant risk of reversal in a future period. The contracts into which the Company enters generally do not include significant financing components.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its collaboration and license agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract within the scope of ASC 606; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. As part of the accounting for these arrangements, the Company must use significant judgment to determine: a) the number of performance obligations based on the determination under step (ii) above; b) the transaction price under step (iii) above; c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above; and d) the measure of progress in step (v) above. The Company uses judgment to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price as described further below.

If a license to the Company's intellectual property is determined to be distinct from the other promises or performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, upfront fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. In assessing whether a promise or performance obligation is distinct from the other elements, the Company considers factors such as the research, development, manufacturing and commercialization capabilities of the collaboration partner and the availability of its associated expertise in the general marketplace. In addition, the Company considers whether the collaboration partner can benefit from a promise for its intended purpose without the receipt of the remaining elements, whether the value of the promise is dependent on the unsatisfied promise, whether there are other vendors that could provide the remaining promise, and whether it is separately identifiable from the remaining promise. For licenses that are combined with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue. The Company evaluates the measure of progress of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. The measure of progress, and thereby periods over which revenue should be recognized, is subject to estimates by management and may change over the course of the arrangement. Such a change could have a material impact on the amount of revenue the Company records in future periods.

Customer Options: If an arrangement is determined to contain customer options that allow the customer to acquire additional goods or services such as research and development services or manufacturing services, the goods and services underlying the customer options are not considered to be performance obligations at the inception of the arrangement; rather, such goods and services are contingent on exercise of the option, and the associated option fees are not included in the transaction price. The Company evaluates customer options for material rights or options to acquire additional goods or services for free or at a discount. If a customer option is determined to represent a material right, the material right is recognized as a separate performance obligation at the outset of the arrangement. The Company allocates the transaction price to material rights based on the relative standalone selling price, which is determined based on the identified discount and the estimated probability that the customer will exercise the option. Amounts allocated to a material right are not recognized as revenue until, at the earliest, the option is exercised.

Milestone Payments: At the inception of each arrangement that includes milestone payments, the Company evaluates whether the milestones are considered probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The Company evaluates factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve the respective milestone in making this assessment. There is considerable judgment involved in determining whether it is probable that a significant revenue reversal would not occur. At the end of each subsequent reporting period, the Company reevaluates the probability of achievement of all milestones subject to constraint and, if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on a level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any royalty revenue resulting from any of its licensing arrangements.

Collaborative Arrangements: Contracts are considered to be collaborative arrangements when they satisfy the following criteria defined in ASC 808, Collaborative Arrangements: (i) the parties to the contract must actively participate in the joint operating activity and (ii) the joint operating activity must expose the parties to the possibility of significant risk and rewards, based on whether or not the activity is successful. Payments received from or made to a partner that are the result of a collaborative relationship with a partner, instead of a customer relationship, such as co-development activities, are recorded as a reduction or increase to research and development expense, respectively.

Concentrations of credit risk and off-balance sheet risk

Cash, cash equivalents, short-term investments and trade accounts receivable are financial instruments that potentially subject the Company to concentrations of credit risk. The Company mitigates this risk by maintaining its cash and cash equivalents and investments with high quality, accredited financial institutions. The management of the Company's investments is not discretionary on the part of these financial institutions. As of March 31, 2020 Company's cash, cash equivalents and short-term investments were deposited at two financial institutions and it has no significant off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts or other hedging arrangements.

As of March 31, 2020 there were two customers that cumulatively made up more than 60% of the Company's trade accounts receivable balance. The Company assesses the creditworthiness of all its customers and sets and reassesses customer credit limits to ensure collectability of any trade accounts receivable balances are assured.

For the three months ended March 31, 2020, there were four customers who each individually accounted for greater than 10% of the Company's total revenues.

Recently Issued Accounting Standards Updates

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 will replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Derivatives (Topic 815), and Leases (Topic 842). This ASU delayed the required adoption for SEC filers that are smaller reporting companies as of their determination on November 15, 2019, until annual and interim periods beginning after December 15, 2022, with early adoption permitted. The Company has determined that as of November 15, 2019, it is a smaller reporting company and has not elected to early adopt this standard. The Company is currently evaluating the impact the adoption of the standard will have on its condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No 2019-12, Simplifying Accounting for Income Taxes (ASU 2019-12). ASU 2019-12 removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocations, calculating income taxes in interim periods, and adds certain guidance to remove complexity in certain areas. ASU 2019-12 is effective for all entities for annual and interim periods beginning after December 15, 2020. An entity is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. The Company has not elected to early adopt this standard and is currently evaluating the impact the adoption of the standard will have on its condensed consolidated financial statements and related disclosures.

Recently Adopted Accounting Standards Updates

In November 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606, which makes targeted improvements for collaborative arrangements to clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606 when the collaborative arrangement participant is a customer in the context of a unit of account, adds unit of account guidance in Topic 808 to align with guidance in Topic 606, and clarifies presentation of certain revenues with a collaborative arrangement participant which are not directly related to a third party. ASU 2018-18 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. This guidance requires entities to adopt on a retrospective basis to the to the date the Company adopted Accounting Standards Codification (ASC) 606 *Revenue from Contracts with Customers*. The Company adopted ASU 2018-18 as of January 1, 2020 on a retrospective basis to January 1, 2018, the date at which the Company adopted ASU 606, and it did not have a material impact on the Company's condensed consolidated financial statements or disclosures.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-15, Intangibles-Goodwill and Other-Internal Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this standard effective January 1, 2020 on a prospective basis. The adoption of this ASU did not have an effect on the Company's financial statements of disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. ASU 2018-13 is effective for all entities for annual and interim periods beginning after December 15, 2019. The Company adopted this standard effective January 1, 2020 on a prospective basis. The adoption of this ASU did not have an effect on the Company's financial statements of disclosures.

3. Cash, cash equivalents and restricted cash

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

	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 135,061	$ 43,514
Restricted cash	35,669	35,748
Total cash, cash equivalents and restricted cash	**$ 170,730**	**$ 79,262**

Amounts included in restricted cash as of March 31, 2020 and December 31, 2019 represent (i) cash that the Company is contractually obligated to maintain in accordance with the terms of the 2019 Term Loan Agreement, (ii) cash received pursuant to a funded research and development agreement with the Leukemia and Lymphoma Society (the "LLS Research Funding Agreement") which is restricted for future expenditures for specific R&D studies and (iii) cash held to collateralize outstanding letters of credit provided as a security deposit for the Company's office space located in Needham, Massachusetts in the amount of approximately $35.0 million, $0.5 million, and $0.2 million respectively, at March 31, 2020 and December 31, 2019. Restricted cash related to 2019 Term Loan Agreement and letters of credit are included in non-current restricted cash on the condensed consolidated balance sheets, while cash related to the LLS Research Funding Agreement is included in prepaid and other current assets on the condensed consolidated balance sheet.

4. Fair value of financial instruments

The Company determines the fair value of its financial instruments based upon the fair value hierarchy, which prioritizes valuation inputs based on the observable nature of those inputs. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The hierarchy defines three levels of valuation inputs:

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

Items Measured at Fair Value on a Recurring Basis

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis (in thousands):

	March 31, 2020			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash equivalents	$ 168,553	$ 155,553	$ 13,000	$ —
Short-term investments	—	—	—	—
Total financial assets	**$ 168,553**	**$ 155,553**	**$ 13,000**	**$ —**

	December 31, 2019			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash equivalents	$ 77,176	$ 75,678	$ 1,498	$ —
Short-term investments	31,992	—	31,992	—
Total financial assets	**$ 109,168**	**$ 75,678**	**$ 33,490**	**$ —**
Derivative liability	$ 450	—	—	$ 450

The Company's cash equivalents and short-term investments consist of U.S. Government money market funds, corporate bonds, agency bonds and commercial paper of publicly traded companies. The investments and cash equivalents have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market-based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. The Company validates the prices provided by third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing its validation procedures, the Company did not adjust or override any fair value measurements provided by the pricing services as of March 31, 2020 and December 31, 2019.

During 2019, a derivative liability was recorded as a result of the issuance of the 2019 Notes (see note 12). The fair value measurement of the derivative liability is classified as Level 3 under the fair value hierarchy and it has been valued using unobservable inputs. These inputs include: (1) a simulated share price at the time of conversion of the 2019 Notes, (2) assumed timing of conversion of the 2019 Notes, (3) risk-adjusted discount rate to present value the probability-weighted cash flows, and (4) entity specific cost of equity. Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement.

The fair value of the derivative liability was determined using a Monte-Carlo simulation by calculating fair value of the 2019 Interest Make-Whole Payment to 2019 Note holders based on assumed timing of conversion of the 2019 Notes. At December 31, 2019, the risk-adjusted discount rate was determined to be 13.08% and entity specific cost of equity was determined to be 16.54%.

The following table represents a reconciliation of the derivative liability recorded in connection with the issuance of the 2019 Notes (in thousands):

January 1, 2020	$ 450
Fair value adjustment	1,313
Derivative liability extinguished upon conversion	(1,763)
March 31, 2020	$ —

During the three months ended March 31, 2020 the derivative liability has been settled upon conversion of all 2019 Notes into shares of common stock (see note 12).

Fair Value of Financial Instruments

The fair value of the Company's long-term debt is determined using a discounted cash flow analysis with current applicable rates for similar instruments as of the condensed consolidated balance sheet dates. The carrying value of the Company's long-term debt, including the current portion, at March 31, 2020 and December 31, 2019 was approximately $35.3 million and $35.1 million, respectively. At March 31, 2020, the Company estimates that the fair value of its long-term debt, including the current portion, was approximately $37.1 million. The fair value of the Company's long-term debt was determined using Level 3 inputs.

The fair value of the Company's 5.00% Convertible Senior Notes due 2048 (the 2018 Notes) as of March 31, 2020 was approximately $23.2 million, which differs from the carrying value of the 2018 Notes. The fair value of the 2018 Notes was determined using Level 2 inputs.

5. Investments

Cash, cash equivalents, and short-term investments consist of the following (in thousands):

	March 31, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Cash, cash equivalents & restricted cash:				
Cash and money market accounts	$ 157,730	$ —	$ —	$ 157,730
Corporate bonds, agency bonds and commercial paper (due within 90 days)	12,991	9	—	13,000
Total cash, cash equivalents & restricted cash:	$ 170,721	$ 9	$ —	$ 170,730

	December 31, 2019			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Cash, cash equivalents & restricted cash:				
Cash and money market accounts	$ 77,764	$ —	$ —	$ 77,764
Corporate bonds, agency bonds and commercial paper (due within 90 days)	1,498	$ —	$ —	$ 1,498
Total cash, cash equivalents & restricted cash:	$ 79,262	$ —	$ —	$ 79,262
Investments:				
Corporate bonds and commercial paper (due within 1 year)	$ 31,979	$ 14	$ —	$ 31,993
Total investments	$ 31,979	$ 14	$ —	$ 31,993
Total cash, cash equivalents, restricted cash and investments	**$ 111,241**	**$ 14**	**$ —**	**$ 111,255**

There were no realized gains or losses on investments for the three months ended March 31, 2020 or 2019, respectively. There were zero and two investments in an unrealized loss position as of March 31, 2020 and December 31, 2019, respectively. None of these investments had been in an unrealized loss position for more than 12 months as of March 31, 2020 and December 31, 2019, respectively. The fair value of these securities as of March 31, 2020 and

December 31, 2019 was $0 and $5.8 million, respectively, and the aggregate unrealized loss was immaterial. The Company considered the decline in the market value for these securities to be primarily attributable to current economic conditions. As it was not more likely than not that the Company would be required to sell these securities before the recovery of their amortized cost basis, which may be at maturity, the Company did not consider these investments to be other-than-temporarily impaired as of March 31, 2020 and December 31, 2019, respectively.

6. Inventory

Inventory consists of the following (in thousands):

	March 31, 2020	December 31, 2019
Raw materials	$ 909	$ 955
Work in process	2,819	2,040
Finished goods	644	101
Total inventories	**$ 4,372**	**$ 3,096**

7. Intangible assets

The Company's intangible assets consist of the following (in thousands):

	March 31, 2020	Estimated useful life
Acquired and in-licensed rights	$ 22,000	14 years
Less: accumulated amortization	(2,384)	
Total intangible assets, net	**$ 19,616**	

Acquired and in-licensed rights as of March 31, 2020 consist of a $22.0 million milestone payment which became payable upon the FDA marketing approval on September 24, 2018, pursuant to the amended and restated license agreement with Infinity Pharmaceuticals, Inc. (Infinity). The Company made the milestone payment of $22.0 million to Infinity in November 2018.

The Company recorded approximately $0.4 million in amortization expense related to finite-lived intangible assets during the three months ended March 31, 2020 using the straight-line methodology. Estimated future amortization expense for finite-lived intangible assets as of March 31, 2020 is approximately $1.2 million for the remainder of 2020 and approximately $1.6 million per year thereafter.

8. Accrued expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2020	December 31, 2019
Compensation and related benefits	5,170	7,399
Contract research organization costs	5,453	5,467
Commercialization costs	3,086	3,028
Interest	884	897
Consulting fees	2,336	1,610
Professional fees	827	573
Other	254	391
Total accrued expenses	**$ 18,010**	**$ 19,365**

9. Product revenue reserves and allowances

As of March 31, 2020, the Company's sole source of product revenue has been from sales of COPIKTRA in the United States, which it began shipping to customers on September 25, 2018. The following table summarizes activity in each of the product revenue allowance and reserve categories for the three months ended March 31, 2020 (in thousands):

	Trade discounts and allowances	Third-Party Payer chargebacks, discounts and fees	Government rebates and other incentives	Returns	Total
Balance at December 31, 2019	$ 111	$ 255	$ 372	$ 76	$ 814
Provision related to sales in the current year	213	547	689	47	1,496
Adjustments related to prior period sales	—	—	—	—	—
Credits and payments made	(187)	(563)	(111)	—	(861)
Ending balance at March 31, 2020	**$ 137**	**$ 239**	**$ 950**	**$ 123**	**$ 1,449**

Trade discounts and Third-Party Payer chargebacks and discounts are recorded as a reduction to accounts receivable, net on the condensed consolidated balance sheets. Trade allowances and Third-Party Payer fees, government rebates, other incentives and returns are recorded as a component of accrued expenses on the condensed consolidated balance sheets.

10. Leases

On April 15, 2014, the Company entered into a lease agreement for approximately 15,197 square feet of office and laboratory space in Needham, Massachusetts. Effective February 15, 2018, the Company amended its lease agreement to relocate within the facility to another location consisting of 27,810 square feet of office space (the Amended Lease Agreement). The Amended Lease Agreement extends the expiration date of the lease from September 2019 through May 2025. Pursuant to the Amended Lease Agreement, the initial annual base rent amount is approximately $0.7 million, which increases during the lease term to $1.1 million for the last twelve-month period.

The Company has accounted for its Needham, Massachusetts office space as an operating lease. The Company's lease contains an option to renew and extend the lease terms and an option to terminate the lease prior to the expiration date. The Company has not included the lease extension or the termination options within the right-of-use asset and lease liability on the condensed consolidated balance sheets as neither option is reasonably certain to be exercised. The Company's lease includes variable non-lease components (e.g., common area maintenance, maintenance, consumables, etc.) that are not included in the right-of-use asset and lease liability and are reflected as an expense in the period incurred. The Company does not have any other operating or finance leases.

In calculating the present value of future lease payments, the Company has elected to utilize its incremental borrowing rate based on the remaining lease term at the date of adoption of Accounting Standards Codification (ASC) 842, *Leases* of January 1, 2019. The Company has elected to account for lease components and associated non-lease components as a single lease component and has allocated all of the contract consideration to the lease components only. This will potentially result in the initial and subsequent measurement of the balances of the right-of-use asset and lease liability for leases being greater than if the policy election was not applied.

As of March 31, 2020, a right-of-use asset of $3.0 million and lease liability of $3.8 million are reflected on the condensed consolidated balance sheets. The elements of lease expense were as follows (dollar amounts in thousands):

		Three months ended March 31, 2020
Lease Expense		
Operating lease expense	$	221
Total Lease Expense	**$**	**221**
Other Information - Operating Leases		
Operating cash flows paid for amounts included in measurement of lease liabilities	$	204

		March 31, 2020
Other Balance Sheet Information - Operating Leases		
Weighted average remaining lease term (in years)		5.3
Weighted average discount rate		14.6%
Maturity Analysis		
2020	$	751
2021		1,019
2022		1,039
2023		1,060
2024		1,081
Thereafter		546
Total	**$**	**5,496**
Less: Present value discount		(1,652)
Lease Liability	**$**	**3,844**

11. Long-term debt

On March 21, 2017, the Company entered into a term loan facility of up to $25.0 million with Hercules Capital, Inc. (Hercules). The term loan facility is governed by a loan and security agreement, dated March 21, 2017 (the Original Loan Agreement). The Original Loan Agreement was amended on January 4, 2018, March 6, 2018, October 11, 2018, April 23, 2019, and November 14, 2019 (the Amended Loan Agreement) to increase the total borrowing limit under the Original Loan Agreement from up to $25.0 million to up to $75.0 million, pursuant to certain conditions of funding.

Per the terms of the Amended Loan Agreement, the Company may borrow up to an aggregate of $75.0 million, of which $35.0 million was outstanding immediately as of April 23, 2019 (Fourth Amendment Date) (Amended Term A Loan) as a result of the existing outstanding principal of term loans of $25.0 million being converted into the Amended Term A Loan, and an additional $10.0 million being drawn on the Fourth Amendment Date. The remaining $40.0 million of borrowing capacity may be drawn in multiple tranches comprised of (i) a term loan in an amount of up to $15.0 million upon the Company generating cumulative net product revenues (as defined in the Amended Loan Agreement) of either (a) $37.5 million on or before April 30, 2020 or (b) $50.0 million on or before June 30, 2020 (Amended Term B Loan), and (ii) a term loan in an amount of up to $25.0 million available through December 31, 2021, subject to Hercules' approval and certain other conditions specified in the Amended Loan Agreement (the Amended Term C Loan, and together with the Amended Term A Loan and Amended Term B Loan, the Amended Term Loan). As of March 31, 2020, the Company has borrowed a total of $35.0 million in term loans.

The Company must maintain unrestricted and unencumbered cash in accounts subject to control agreements in favor of Hercules of an aggregate amount greater than or equal to 100% of the outstanding debt obligations under the Amended Term Loan Agreement, unless and until the Company's receives of Net Product Revenues (as defined in the Amended Loan Agreement) of at least $20 million on or before December 31, 2020, measured on a trailing six month basis (Initial Net Product Revenue Threshold). As of March 31, 2020 the Company has not met the Initial Net Product Revenue Threshold and has recorded $35.0 million as non-current restricted cash on the condensed consolidated balance

sheets. If the Initial Net Product Revenue Threshold is satisfied on or before December 31, 2020, then the Company must, on a monthly basis, either (a) maintain at all times during such month unrestricted and unencumbered cash in accounts subject to control agreements in favor of Hercules, in an aggregate amount greater than or equal to 50% of the outstanding debt obligations under the Amended Loan Agreement, or (b) show net product revenues of at least 80% of the amounts shown on the Company's most recent board approved financial and business projections, measured on a trailing six month basis as of the end of such calendar month,

The Amended Term Loan will mature on December 1, 2022 (2019 Term Loan Maturity Date). Each advance accrues interest at a floating per annum rate equal to the greater of (a) 9.75% or (b) the lesser of (i) 12.00% and (ii) the sum of (x) 9.75% plus (y) (A) the prime rate (as defined in the Amended Loan Agreement) minus (B) 5.50%. The Amended Term Loan provides for interest-only payments until April 1, 2021, which may be extended to December 1, 2021 subject to the Company generating $40.0 million in net product revenue on a trailing six-month basis on or prior to December 31, 2020 provided that no event of default has occurred. Thereafter, amortization payments will be payable monthly in equal installments of principal and interest (subject to recalculation upon a change in prime rates).

The Amended Term Loan is secured by a lien on substantially all of the Company's assets, other than intellectual property and contains customary covenants and representations, including a liquidity covenant, minimum net revenue covenant, financial reporting covenant and limitations on dividends, indebtedness, collateral, investments, distributions, transfers, mergers or acquisitions, taxes, corporate changes, deposit accounts, and subsidiaries.

On the Fourth Amendment Date, the Company was required to pay any outstanding accrued interest as well as the final payment fee equal to 4.5% on the outstanding principal balance, or $1.1 million. No prepayment charges were due as a result of executing the Fourth Amendment or conversion of the existing term loans into Amended Term A Loans.

The events of default under the Amended Loan Agreement include, without limitation, and subject to customary grace periods, (i) any failure by us to make any payments of principal or interest under the Amended Loan Agreement, any promissory notes or any other loan documents, (ii) any breach or default in the performance of any covenant under the Amended Loan Agreement, (iii) any making of false or misleading representations or warranties in any material respect, (iv) the Company's insolvency or bankruptcy, (v) certain attachments or judgments on the assets of Verastem, Inc., or (vi) the occurrence of any material default under certain agreements or obligations of ours involving indebtedness, or (vii) the occurrence of a material adverse effect. If an event of default occurs, Hercules is entitled to take enforcement action, including acceleration of amounts due under the Amended Loan Agreement.

The Amended Loan Agreement also contains other customary provisions, such as expense reimbursement and confidentiality. Hercules has indemnification rights and the right to assign the Amended Term Loan.

The Company assessed all terms and features of the Amended Loan Agreement in order to identify any potential embedded features that would require bifurcation or any beneficial conversion features. As part of this analysis, the Company assessed the economic characteristics and risks of the Amended Loan Agreement, including put and call features. The Company determined that all features of the Amended Loan Agreement were clearly and closely associated with a debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to the Company's condensed consolidated financial statements. The Company reassesses the features on a quarterly basis to determine if they require separate accounting. There have been no changes to the Company's original assessment through March 31, 2020.

The future principal payments under the 2019 Term Loan are as follows as of March 31, 2020 (in thousands):

2021	$	14,234
2022		20,766
Total principal payments	**$**	**35,000**

12. Convertible Senior Notes

On October 17, 2018, the Company closed a registered direct public offering of $150.0 million aggregate principal amount of the Company's 5.00% Convertible Senior Notes due 2048 (the 2018 Notes). The 2018 Notes are governed by the terms of a base indenture for senior debt securities (the 2018 Base Indenture), as supplemented by the first supplemental indenture thereto (the Supplemental Indenture and together with the 2018 Base Indenture, the 2018 Indenture), each dated October 17, 2018, by and between the Company and Wilmington Trust, National Association, as trustee. The 2018 Notes are senior unsecured obligations of the Company and bear interest at a rate of 5.00% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2019. The 2018 Notes will mature on November 1, 2048, unless earlier repurchased, redeemed or converted in accordance with their terms.

The 2018 Notes are convertible into shares of the Company's common stock, par value $0.0001 per share, together, if applicable, with cash in lieu of any fractional share, at an initial conversion rate of 139.5771 shares of common stock per $1,000 principal amount of the 2018 Notes, which corresponds to an initial conversion price of approximately $7.16 per share of common stock and represents a conversion premium of approximately 15.0% above the last reported sale price of the common stock of $6.23 per share on October 11, 2018. Upon conversion, converting noteholders will be entitled to receive accrued interest on their converted 2018 Notes. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends, but will not be adjusted for any accrued and unpaid interest.

The Company has the right, exercisable at its option, to cause all Notes then outstanding to be converted automatically if the "Daily VWAP" (as defined in the 2018 Indenture) per share of the Company's common stock equals or exceeds 130% of the conversion price on each of at least 20 VWAP Trading Days (as defined in the 2018 Indenture), whether or not consecutive, during any 30 consecutive VWAP Trading Day period commencing on or after the date the Company first issued the 2018 Notes.

The 2018 Indenture includes customary covenants and sets forth certain events of default after which the 2018 Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Company or certain of its subsidiaries after which the 2018 Notes become automatically due and payable.

The Company assessed all terms and features of the 2018 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, the Company assessed the economic characteristics and risks of the 2018 Notes, including the conversion, put and call features. The conversion feature was initially bifurcated as an embedded derivative but subsequently qualified for a scope exception to derivative accounting upon the Company's stockholders approving an increase in the number of authorized shares of Common Stock in December 2018. The Company determined that all other features of the 2018 Notes were clearly and closely associated with the debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to the Company's condensed consolidated financial statements. The Company reassesses the features on a quarterly basis to determine if they require separate accounting. There have been no changes to the Company's original assessment through March 31, 2020.

On November 14, 2019 and December 23, 2019, the Company entered into privately negotiated agreements to exchange approximately $114.3 million and $7.4 million, respectively, aggregate principal amount of the 2018 Notes for (i) approximately $62.9 million and $4.0 million, respectively, aggregate principal amount of 5.00% Convertible Senior Second Lien Notes due 2048 (the 2019 Notes), (ii) an aggregate of approximately $11.4 million and $0.7 million in 2018 Notes principal repayment and (iii) accrued interest on the 2018 Notes through November 14, 2019 and December 23, 2019, respectively. The 2019 Notes are governed by the terms of an indenture (the 2019 Indenture). The 2019 Notes are senior secured obligations of the Company and bear interest at 5.00% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. The 2019 Notes will mature on November 1, 2048, unless earlier repurchased, redeemed or converted in accordance with the terms thereof.

The 2019 Notes are convertible into shares of the Company's common stock, par value $0.0001 per share, together, if applicable, with cash in lieu of any fractional share, at an initial conversion rate of 606.0606 shares of

common stock per $1,000 principal amount of the 2019 Notes, which corresponds to an initial conversion price of approximately $1.65 per share of common stock and represents a conversion premium of approximately 52.8% above the last reported sale price of the Company's common stock of $1.08 per share on November 11, 2019. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends, but will not be adjusted for any accrued and unpaid interest.

The Company has the right, exercisable at the Company's option, to cause all 2019 Notes then outstanding to be converted automatically if the "Daily VWAP" (as defined in the 2019 Indenture) per share of the Company's common stock equals or exceeds 121% of the conversion price on each of at least 20 VWAP Trading Days (as defined in the 2019 Indenture), whether or not consecutive, during any 30 consecutive VWAP Trading Days period commencing on or after the date the Company first issued the 2019 Notes. (Company's Mandatory Conversion Option).

Upon conversion, converting noteholders will be entitled to receive accrued interest on their converted 2019 Notes. In addition, if the 2019 Notes are converted with a conversion date that is on or prior to November 1, 2020, other than in connection with the Company's exercise of the Company's Mandatory Conversion Option then the consideration due upon any such conversion will also include a cash interest make-whole payment for all future scheduled interest payments on the converted 2019 Notes through November 1, 2020 (2019 Notes Interest Make-Whole Provision).

The company assessed all terms and features of the 2019 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, the Company assessed the economic characteristics and risks of the 2019 Notes, including the conversion, put and call features. In consideration of the 2019 Notes Interest Make-Whole Provision, the Company concluded the provision required bifurcation as a derivative. It was determined that the fair value of the derivative upon the November 14, 2019 and December 23, 2019 issuance of the 2019 Notes was $0.2 million in the aggregate; and the Company recorded this amount as a derivative liability and the offsetting amount as a debt discount as a reduction to the carrying value of the 2019 Notes on the closing dates. It was determined that the fair value of the derivative at December 31, 2019 was $0.5 million.

During the three months ended March 31, 2020, 2019 Note holders converted $57.4 million aggregate principal of 2019 Notes in exchange for 34,796,350 shares of common stock and $1.8 million of cash for the 2019 Note Interest Make-Whole Provision. The Company recorded the change in fair value of the 2019 Notes Interest Make-Whole Provision of $1.3 million for the three months ended March 31, 2020 as other expense in the condensed consolidated statement of operations and comprehensive loss.. The Company determined that all other features of the 2019 Notes were clearly and closely associated with a debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to the Company's condensed consolidated financial statements. As of March 31, 2020, all 2019 Notes have converted into shares of common stock.

13. Common stock

Private Investment in Public Equity (PIPE)

On February 27, 2020, the Company entered into a Securities Purchase Agreement (Purchase Agreement) with certain institutional investors in which the Company agreed to sell 46,511,628 shares of common stock at a purchase price of $2.15 per share, which represents 12.6% premium to the last reported sale price of the Company's common stock of $1.91 per share on February 27, 2020. On March 3, 2020, the closing occurred. The aggregate proceeds net of underwriting discounts and offering costs, were approximately $93.8 million, of which $0.1 million of offering costs are within accounts payable as of March 31, 2020.

14. Stock-based compensation

Stock options

A summary of the Company's stock option activity and related information for the three months ended March 31, 2020 is as follows:

	Shares	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2019	17,258,524	$ 4.00	7.3	$ 185
Granted	183,913	$ 1.56		
Exercised	(645,628)	$ 1.52		
Forfeited/cancelled	(2,594,379)	$ 3.81		
Outstanding at March 31, 2020	14,202,430	$ 4.11	7.0	$ 7,834
Vested at March 31, 2020	6,939,088	$ 5.58	5.1	$ 2,400
Vested and expected to vest at March 31, 2020(1)	14,092,430	$ 4.12	7.0	$ 7,834

(1) This represents the number of vested options as of March 31, 2020, plus the number of unvested options expected to vest as of March 31, 2020.

The fair value of each stock option granted during the three months ended March 31, 2020 and 2019 was estimated on the grant date using the Black-Scholes option-pricing model using the following weighted-average assumptions:

	Three months ended March 31,	
	2020	2019
Risk-free interest rate	1.58 %	2.56 %
Volatility	88 %	83 %
Dividend yield	—	—
Expected term (years)	6.1	6.0

Restricted stock units (RSUs)

The Company awards RSUs to employees under its Amended and Restated 2012 Incentive Plan and its inducement award program. Each RSU entitles the holder to receive one share of the Company's common stock when the RSU vests. The RSUs generally vest in either (i) four substantially equal installments on each of the first four anniversaries of the vesting commencement date, (ii) 100 percent on the first anniversary of the vesting commencement date, (iii) thirty three and one-third percent (33 1/3%) on the first anniversary of the vesting commencement date and as to an additional eight and two-thirds percent (8.33%) at the end of each successive three-month period thereafter, or (iv) 100 percent after approximately 21 months from the vesting commencement date, subject to the employee's continued employment with, or service to, the Company on such vesting date. Compensation expense is recognized on a straight-line basis.

A summary of RSU activity during the three months ended March 31, 2020 is as follows:

	Shares	Weighted-average grant date fair value per share
Outstanding at December 31, 2019	678,089	$ 2.36
Granted	1,050,525	$ 2.18
Vested	(88,798)	$ 3.32
Forfeited/cancelled	(25,032)	$ 3.46
Outstanding at March 31, 2020	1,614,784	$ 2.17

On March 27, 2020, the Company amended all outstanding stock options and RSUs awards held by employees (including executive officers), other than certain performance-based awards, to provide that, in the event of a change of control, such equity awards currently held by employees that are outstanding and unvested immediately prior to a change of control of the Company will become fully vested and, if applicable, exercisable immediately prior to, and subject to

the consummation of, such change of control. The amendment was implemented to provide assurance to the Company's existing employees and not in response to any change of control offer for the Company.

Employee stock purchase plan

At the Special Meeting of Stockholders, held on December 18, 2018, the stockholders approved the 2018 Employee Stock Purchase Plan (2018 ESPP). On June 21, 2019, the board of directors of the Company amended and restated the 2018 ESPP, to account for certain non-material changes to the plan's administration (the Amended and Restated 2018 ESPP). The Amended and Restated 2018 ESPP provides eligible employees with the opportunity, through regular payroll deductions, to purchase shares of the Company's common stock at 85% of the lesser of the fair market value of the common stock (a) on the date the option is granted, which is the first day of the purchase period, and (b) on the exercise date, which is the last business day of the purchase period. The Amended and Restated 2018 ESPP generally allows for two six-month purchase periods per year beginning in January and July, or such other periods as determined by the compensation committee of the Company's board of directors. The Company has reserved 2,000,000 shares of common stock for the administration of the Amended and Restated 2018 ESPP. The fair value of shares expected to be purchased under the Amended and Restated 2018 ESPP was calculated using the Black-Scholes model with the following assumptions:

	Three Months ended March 31	
	2020	2019
Risk-free interest rate	1.57 %	2.52 %
Volatility	78 %	77 %
Dividend yield	—	—
Expected term (years)	0.5	0.5

For the three months ended March 31, 2020 and 2019, the Company has recognized less than $0.1 million and $0.2 million of stock-based compensation under the Amended and Restated 2018 ESPP. During the three months ended March 31, 2020, the Company issued 227,141 shares of common stock for proceeds of $0.3 million under the Amended and Restated 2018 ESPP.

15. Net loss per share

Basic net loss per common share is calculated by dividing net loss applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is calculated by increasing the denominator by the weighted-average number of additional shares that could have been outstanding from securities convertible into common stock, such as stock options and restricted stock units (using the "treasury stock" method), and the 2018 Notes and 2019 Notes (using the "if-converted" method), unless their effect on net loss per share is anti-dilutive.

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share for the periods indicated because including them would have had an anti-dilutive effect:

	Three months ended March 31,	
	2020	2019
Outstanding stock options	14,202,430	14,177,238
Outstanding restricted stock units	1,614,784	688,194
2018 Notes	3,950,032	20,936,548
Total potentially dilutive securities	**19,767,246**	**35,801,980**

16. License and collaboration agreements

Chugai Pharmaceutical Co., Ltd (Chugai)

On January 7, 2020, the Company entered into a license agreement with Chugai (the Chugai Agreement) whereby Chugai granted the Company an exclusive worldwide license for the development, commercialization and manufacture of products containing VS-6766, a dual RAF/MEK inhibitor.

Under the terms of the Chugai Agreement, the Company received an exclusive right to develop and commercialize products containing VS-6766 at the Company's own cost and expense. The Company is required to pay Chugai a non-refundable payment of $3.0 million which was paid in February 2020. The Company is further obligated to pay Chugai double-digit royalties on net sales of products containing VS-6766, subject to reduction in certain circumstances. Chugai also obtained opt back rights to develop and commercialize VS-6766 (a) in the European Union, which option may be exercised through the date the Company submits a NDA to the FDA for a product which contains VS-6766 as the sole active pharmaceutical ingredient and (b) in Japan and Taiwan, which option may be exercised through the date the Company receives marketing authorization from the FDA for a product which contains VS-6766 as the sole active pharmaceutical ingredient. As consideration for executing either option, Chugai would have to make a payment to the Company calculated on the Company's development costs to date. Chugai and the Company have made customary representations and warranties and have agreed to certain customary covenants, including confidentiality and indemnification.

Unless earlier terminated, the Chugai Agreement will expire upon the fulfillment of the Company's royalty obligations to Chugai for the sale of any products containing the VS-6766, which royalty obligations expire on a product-by-product and country-by-country basis, upon the last to occur, in each specific country, of (a) expiration of valid patent claims covering such product or (b) 12 years from the first commercial sale of such product in such country.

The Company may terminate the Chugai Agreement upon 180 days' written notice. Subject to certain limitations, Chugai may terminate the Chugai Agreement upon written notice if the Company challenges any patent licensed by Chugai to the Company under the Chugai Agreement. Either party may terminate the license agreement in its entirety with 120 days' written notice for the other party's material breach if such party fails to cure the breach. Either party may also terminate the Chugai Agreement in its entirety upon certain insolvency events involving the other party.

The Company evaluated the license agreement with Chugai under ASC Topic 805, Business Combinations and concluded that as the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets, the transaction did not meet the requirements to be accounted for as a business combination and therefore was accounted for as an asset acquisition. The Company recorded the up-front payment of $3.0 million as research and development expense within the condensed consolidated statement of operations for the three months ended March 31, 2020.

Sanofi

On July 25, 2019, the Company entered into a license and collaboration agreement with Sanofi (the Sanofi Agreement), under which the Company granted exclusive rights to Sanofi to develop and commercialize products containing duvelisib in Russia, the Commonwealth of Independent States (CIS), Turkey, the Middle East and Africa (collectively the "Sanofi Territory") for the treatment, prevention, palliation or diagnosis of any oncology indication in humans or animals.

Under the terms of the Sanofi Agreement, Sanofi received the exclusive right to develop and commercialize products containing duvelisib in the Sanofi Territory under mutually agreed upon development and commercialization plans at Sanofi's own cost and expense. In addition, Sanofi received certain limited manufacturing rights in the event the Company is unable to manufacture or supply sufficient quantities of duvelisib or products containing duvelisib to Sanofi during the term of the Sanofi Agreement. The Company retained all rights to duvelisib outside the Sanofi Territory, except for those territories previously and exclusively licensed to other partners.

Sanofi paid the Company an upfront, non-refundable payment of $5.0 million in August 2019. The Company is also entitled to receive aggregate payments of up to $42.0 million if certain regulatory and commercial milestones are successfully achieved. Sanofi is obligated to pay the Company double-digit royalties on net sales of products containing duvelisib in the Sanofi Territory, subject to reduction in certain circumstances. For the three months ended March 31, 2020, there have been no additional milestones achieved under the Sanofi Agreement.

Yakult Honsha Co., Ltd. (Yakult)

On June 5, 2018, the Company entered into a license and collaboration agreement with Yakult (the Yakult Agreement), under which the Company granted exclusive rights to Yakult to develop and commercialize products containing duvelisib in Japan for the treatment, prevention, palliation or diagnosis of all oncology indications in humans or animals.

Yakult paid the Company an upfront, non-refundable payment of $10.0 million in June 2018. The Company is also entitled to receive aggregate payments of up to $90.0 million if certain development, regulatory and commercial milestones are successfully achieved. Yakult is obligated to pay the Company a double-digit royalty on net sales of products containing duvelisib in Japan, subject to reduction in certain circumstances, and to fund certain global development costs related to worldwide clinical trials conducted by the Company in which Yakult has opted to participate on a pro-rata basis. For the three months ended March 31, 2020, there have been no additional milestones achieved under the Yakult Agreement.

Subsequently, on February 28, 2019, the Company entered into a supply agreement with Yakult (the Yakult Supply Agreement), under which the Company agreed to provide Yakult with drug product for clinical and commercial use in accordance with the Yakult Agreement. Under the terms of the Yakult Supply Agreement, the Company also granted to Yakult a limited manufacturing license to fill, finish, package, and label the drug product solely for clinical and commercial purposes in Japan.

CSPC Pharmaceutical Group Limited (CSPC)

On September 25, 2018, the Company entered into a license and collaboration agreement with CSPC (the CSPC Agreement), under which the Company granted exclusive rights to CSPC to develop and commercialize products containing duvelisib in the People's Republic of China (China), Hong Kong, Macau and Taiwan (each, a Region and collectively, the CSPC Territory) for the treatment, prevention, palliation or diagnosis of all oncology indications in humans.

CSPC paid the Company an aggregate upfront, non-refundable payment of $15.0 million in 2018. The Company is also entitled to receive aggregate payments of up to $160.0 million if certain development, regulatory and commercial milestones are successfully achieved. CSPC is obligated to pay the Company a double-digit royalty on net sales of products containing duvelisib in the CSPC Territory, subject to reduction in certain circumstances, and to fund certain global development costs related to worldwide clinical trials conducted by the Company in which CSPC has opted to participate on a pro-rata basis. For the three months ended March 31, 2020 there have been no additional milestones achieved under the CSPC Agreement.

17. Income taxes

The Company did not record a federal or state income tax provision or benefit for the three months ended March 31, 2020 and 2019, respectively, due to the expected loss before income taxes to be incurred for the years ended December 31, 2020 and 2019, as well as the Company's continued maintenance of a full valuation allowance against its net deferred tax assets.

18. Commitments and contingencies

The Company has no other commitments other than minimum lease payments as disclosed in Note 10, *Leases.*

19. Restructurings

On October 28, 2019, the Company committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 40 positions across the Company and other cost-saving measures (the "October 2019 Restructuring"). The October 2019 Restructuring was designed to streamline operations, speed execution, and reflect the focused, account-based approach in the field. The Company recorded $1.2 million of costs in the fourth quarter of 2019, for one-time termination benefits to the affected employees, including cash severance payments, healthcare benefits, and outplacement assistance.

On February 27, 2020, following further analysis of the Company's strategy, the Company committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 31 positions across the Company and other cost-saving measures (the "February 2020 Restructuring"). The February 2020 Restructuring is designed to streamline operations, speed execution of the Company's clinical development of defactinib and CH5126766, and reflect a focused, account-based approach in the field.

During the three months ended March 31, 2020, the Company recorded an aggregate expense of $1.8 million, which is reflected in the condensed consolidated statements of operation and comprehensive loss as selling general, and administrative expense and research and development expense for $1.3 million and $0.5 million, respectively, for the February 2020 Restructuring for one-time termination benefits for employee severance, benefits, and related costs.

The following table summarizes the accrued liabilities activity recorded in connection with the restructurings for the three months ended March 31, 2020 (in thousands):

Employee severance, benefits and related costs	Amounts accrued at December 31, 2019	Charges	Amount Paid	Adjustments	Amounts accrued at March 31, 2020
October 2019 Restructuring	631	—	(498)	—	133
February 2020 Restructuring	—	1,788	(86)	—	1,702
Total	$ 631	$ 1,788	$ (584)	$ —	$ 1,835

20. Subsequent events

The Company reviews all activity subsequent to the end of the quarter but prior to issuance of the condensed consolidated financial statements for events that could require disclosure or that could impact the carrying value of assets or liabilities as of the balance sheet date. The Company is not aware of any material subsequent events.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019. Please also refer to the sections under headings "Forward-Looking Statements" and "Risk Factors" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019.

OVERVIEW

We are a biopharmaceutical company focused on developing and commercializing medicines to improve the survival and quality of life of cancer patients. Our most advanced product candidates, VS-6766 (formerly known as CH5126766, CK127, and RO5126766) and defactinib and our marketed product COPIKTRA® (duvelisib) capsules, utilize a multi-faceted approach to treat cancers originating either in the blood or major organ systems. We are currently developing our product candidates, VS-6766 and defactinib, and duvelisib and in both preclinical and clinical studies as potential therapies for certain cancers, including leukemia, lymphoma, head and neck cancer, ovarian cancer, colorectal cancer, lung cancer, pancreatic cancer, and mesothelioma. We believe that these compounds may be beneficial as therapeutics either as single agents or when used in combination with immuno-oncology agents, other pathway inhibitors or other current and emerging standard of care treatments in aggressive cancers that do not adequately respond to currently available therapies.

VS-6766 is an orally available first-in-class unique small molecule RAF/MEK inhibitor. Standard MEK inhibitors (e.g. trametinib) paradoxically induce MEK phosphorylation (pMEK) by relieving extracellular-signal-regulated-kinase (ERK)-dependent feedback inhibition of RAF which may limit their efficacy. By inhibiting RAF phosphorylation of MEK, VS-6766 has the advantage of not inducing pMEK. This unique mechanism of VS-6766 enables more effective inhibition of ERK signaling and may confer enhanced therapeutic activity against ERK-dependent, RAS or BRAF mutant tumors. VS-6766 has been studied in over 150 patients and has shown a manageable safety profile to date. Initial signs of activity have been observed in clinical studies as a monotherapy in KRAS mutant, non-small cell lung cancer (NSCLC), endometrial and ovarian cancers, in BRAF mutant ovarian cancer, and in RAS mutant multiple myeloma.

Defactinib, is a targeted inhibitor of Focal Adhesion Kinase (FAK). FAK is a non-receptor tyrosine kinase encoded by the Protein Tyrosine Kinase-2 (PTK-2) gene that is involved in cellular adhesion and, in cancer, metastatic capability. Defactinib in combination with VS-6766 is being studied in an ongoing Phase 1 Investigator Sponsored Study (IST) (FRAME) in patients with KRAS mutant advanced solid tumors, including ovarian cancer, NSCLC and colorectal cancer. Defactinib is delivered orally and designed to be a potential therapy for patients to take at home under the advice of their physician. In April 2020, clinical results from the defactinib/VS-6766 IST were reported at the American Association for Cancer Research (AACR) 2020 Virtual Meeting and shown below under the heading Initial Results from the Phase 1 Study (FRAME) Investigating the Combination of VS-6766 and Defactinib in Patients with KRAS Mutant Cancers and Subsequent Analyses. We plan to initiate discussions with regulatory authorities during first half of 2020, with the goal of commencing a registration-directed trial investigating the defactinib/VS-6766 combination as soon as possible.

Initial Results from the Phase 1 Study (FRAME) Investigating the Combination of VS-6766 and Defactinib in Patients with KRAS Mutant Cancers and Subsequent Analyses

The poster presentation at the AACR 2020 Virtual Meeting described safety and dose response data from the dose-escalation portion and expansion cohorts from an open-label, investigator-initiated Phase 1 study conducted in the United Kingdom assessing the combination of RAF/MEK and FAK inhibitor therapy in patients with LGSOC and KRAS mutant NSCLC. The study evaluated the combination of VS-6766 and defactinib. VS-6766 was administered using a twice-weekly dose escalation schedule and was administered 3 out of every 4 weeks. Defactinib was

administered using a twice-daily dose escalation schedule, also 3 out of every 4 weeks. Dose levels were assessed in 3 cohorts: cohort 1 (VS-6766 3.2mg, defactinib 200mg); cohort 2a (VS-6766 4mg, defactinib 200mg); and cohort 2b (VS-6766 3.2mg, defactinib 400mg).

In the patients with LGSOC (n=8), the ORR was 50% (n=4). Among the patients with KRAS mutant LGSOC (n=6), the ORR was 67% (n=4). Of the 4 patients who have responded, 3 had a prior MEK inhibitor and as of November 2019 had been on study for a median of 20.5 months (range 7-23 months). In the patients with NSCLC (n=10), all of which had KRAS mutations, 1 patient achieved a partial response and 1 patient with a 22% tumor reduction still on treatment as of November 2019. Median time on treatment for this cohort was approximately 18 weeks.

Based on an observation of higher response rates seen in patients with $KRAS^{G12V}$ mutations in the investigator-initiated Phase 1 combination study, we conducted a combined analysis with data from the combination study and the prior single-agent study that utilized a twice-weekly dosing schedule of VS-6766 to get a more complete picture of activity in $KRAS^{G12V}$ mutations. The subsequent, combined analysis (VS-6766 monotherapy and defactinib combination) showed a 57% ORR (4/7 patients); as a single agent (2/5 patients) and in combination with defactinib (2/2 patients) in $KRAS^{G12V}$ mutant NSCLC. Similarly, the combined analysis showed a 60% ORR (3/5 patients); as a single agent (1/2 patients) and in combination with defactinib (2/3 patients) in $KRAS^{G12V}$ mutant gynecologic cancers. These additional analyses were conducted by Verastem Oncology to understand the impact that various KRAS variants may have had on response to identify potential signals to pursue in future prospective studies. This additional analysis was not part of the AACR 2020 poster presentation.

The most common side effects seen in the Phase 1 study were rash, creatine kinase elevation, nausea, hyperbilirubinemia and diarrhea, most being NCI CTC Grade 1/2 and all were reversible. The recommended Phase 2 dose was determined to be cohort 1 (VS-6766 3.2mg, defactinib 200mg).

The preliminary data reported in the study suggest that a novel intermittent dosing schedule of RAF/MEK and FAK inhibitor combination therapy has promising clinical activity in patients with KRASmutant LGSOC and $KRAS^{G12V}$ mutant NSCLC, including patients previously treated with a MEK inhibitor. Expansion cohorts remain ongoing.

In addition, defactinib is currently being investigated in combination with immunotherapeutic and other agents through ISTs. In 2020, it is planned to report results from certain ongoing dose escalation combination studies involving defactinib.

COPIKTRA is an oral inhibitor of phosphoinositide 3-kinase (PI3K), and the first approved dual inhibitor of PI3K-delta and PI3K-gamma, two enzymes known to help support the growth and survival of malignant B-cells and T-cells. PI3K signaling may lead to the proliferation of malignant B-cells and T-cells and is thought to play a role in the formation and maintenance of the supportive tumor microenvironment. COPIKTRA was approved by the U.S. Food & Drug Administration (FDA) on September 24, 2018 and is now indicated for the treatment of adult patients with relapsed or refractory chronic lymphocytic leukemia/small lymphocytic lymphoma (CLL/SLL) after at least two prior therapies and relapsed or refractory follicular lymphoma (FL) after at least two prior systemic therapies. The indication in FL is approved under accelerated approval based on overall response rate. Continued approval for this FL indication may be contingent upon verification and description of clinical benefits in confirmatory trials.

We are also developing duvelisib for the treatment of multiple types of cancer, the most advanced of which is for treatment of patients with peripheral T-cell lymphoma (PTCL). The development of duvelisib in PTCL has been awarded Fast Track and Orphan Drug status by the FDA and a registration study is underway. During 2020, we plan to continue to further develop duvelisib through our registration-directed Phase 2 PTCL study and other sponsored trials. We also expect that interim data for several ongoing investigator sponsored studies (ISTs) will be reported.

Our operations to date have been organizing and staffing our company, business planning, raising capital, identifying and acquiring potential product candidates, undertaking preclinical studies and clinical trials for duvelisib and our product candidates and initiating U.S. commercial operations following the approval of COPIKTRA. We have financed our operations to date primarily through public offerings of our common stock, sales of common stock under

our at-the-market equity offering programs, our loan and security agreement executed with Hercules Capital, Inc. (Hercules) in March 2017, as amended, the upfront payments under our license and collaboration agreements with Sanofi, Yakult and CSPC, the issuance of $150.0 million aggregate principal amount of 2018 Notes in October 2018 and the proceeds in connection with the PIPE. With our U.S. commercial launch of COPIKTRA on September 24, 2018, we have recently begun financing a portion of our operations through product revenue.

As of March 31, 2020, we had an accumulated deficit of $562.8 million. Our net loss was $38.0 million and $38.1 for the three months ended March 31, 2020 and 2019, respectively. We expect to incur significant expenses and operating losses for the foreseeable future as a result of the continued research and development of VS-6766, defactinib, and duvelisib, and continued commercialization of COPIKTRA. We will need to generate significant revenues to achieve profitability, and we may never do so. As of March 31, 2020, we had cash, cash equivalents, restricted cash and short-term investments of $170.7 million, inclusive of $35.7 million of restricted cash. We expect our existing cash resources, along with revenue we expect to generate from sales of COPIKTRA, will be sufficient to fund our planned operations through 12 months from the date of issuance of these condensed consolidated financial statements.

We expect to finance the future development costs of our clinical product portfolio with our existing cash, cash equivalents and short-term investments, or through strategic financing opportunities that could include, but are not limited to collaboration agreements, future offerings of our equity, or the incurrence of debt. However, there is no guarantee that any of these strategic or financing opportunities will be executed or executed on favorable terms, and some could be dilutive to existing stockholders. If we fail to obtain additional future capital, we may be unable to complete our planned preclinical studies and clinical trials and obtain approval of certain investigational product candidates from the FDA or foreign regulatory authorities.

COVID-19 pandemic

The current COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting our employees, patients, communities and business operations, as well as the U.S. economy and financial markets. We have been carefully monitoring the COVID-19 pandemic and its impact on our operations. All employees who are able to work from have been working from home since mid-March 2020. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets.

We have significantly limited in-person interactions for our commercial teams and medical affairs with physicians and clinicians. While this has not negatively affected our net product revenue for the first quarter of 2020, we may see an impact in future quarters from our inability to meet new customers and educate physicians and clinicians. In addition, fewer patients may visit their healthcare provider to initiate, change or receive therapy.

While we are currently continuing our clinical trials, we expect that COVID-19 precautions may directly or indirectly impact the timeline for some of our clinical trials. We have seen a reduction in site initiation, participant recruitment and enrollment, due to the COVID-19 pandemic. In particular, based on updates we have received, there has been a slowdown in enrollment for the Phase 1 IST (FRAME) studying VS-6766 in combination with defactinib in patients with KRAS mutant advanced solid tumors. With respect to ISTs, COVID-19 limits our ability to access, analyze, and predict when data will available for presentation. Due to COVID-19 precautions and impacts, we are not able to predict when scientific meetings will be held and the impact this could have on our ability to share clinical results. In addition, we have paused initiation of a new site for our Phase 2 Study for the treatment of PTCL – entitled PRIMO in New York due to the hospitals' prioritizing resources for the COVID-19 pandemic. To help mitigate some of the impacts to our clinical trials, we are pursuing innovative approaches such as remote patient visits where possible.

We contract with third parties for the manufacture of COPIKTRA for commercial and clinical use and for the manufacture of defactinib and VS-6766 for preclinical studies and clinical trials. Our third party suppliers have informed

us they have put in place measures to reduce the risk of COVID-19 from effecting their operations and to date we have not experienced delays or interruptions in our supply chain.

For additional information on the various risks posed by the COVID-19 pandemic, please read *Item 1A. Risk Factors* included in this report.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements, and the amounts of revenues and expenses during the reported periods.

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

The critical accounting policies we identified in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2019, related to revenue recognition, collaborative agreements, accrued research and development expenses, stock-based compensation, accounts receivable, inventory, intangible assets and leases. During the three months ended March 31, 2020, there were no material changes to our critical accounting policies.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2020 and 2019

	Three months ended March 31,			
	2020	2019	Change	% Change
Revenue:				
Product revenue, net	$ 5,034	$ 1,671	$ 3,363	201%
License and collaboration revenue	22	—	22	100%
Total revenue	5,056	1,671	3,385	203%
Operating expenses:				
Cost of sales - product	495	158	337	213%
Cost of sales - intangible amortization	392	392	—	0%
Research and development	10,924	9,758	1,166	12%
Selling, general and administrative	19,604	26,033	(6,429)	-25%
Total operating expenses	31,415	36,341	(4,926)	-14%
Loss from operations	(26,359)	(34,670)	8,311	-24%
Other expense	(1,313)	—	(1,313)	100%
Interest income	356	1,497	(1,141)	-76%
Interest expense	(10,674)	(4,929)	(5,745)	117%
Net loss	$ (37,990)	$ (38,102)	$ 112	0%

Product revenue, net. Product revenue, net for the three months ended March 31, 2020 (2020 Quarter) was $5.0 million compared to $1.7 million for the three months ended March 31, 2019 (2019 Quarter). Product revenue, net consisted of net product sales of COPIKTRA in the United States. We began commercial sales of COPIKTRA within the United States in September 2018 following receipt of FDA marketing approval. The $3.3 million increase was primarily driven by an increase in product shipments for COPIKTRA as a result of greater market penetration. As discussed above under the heading *COVID-19 pandemic*, we may see an impact on net product revenue as a result of the COVID-19 pandemic in future quarters.

License and collaboration revenue. License and collaboration revenue for the 2020 Quarter was less than $0.1 million compared to $0.0 million for the 2019 Quarter. 2020 Quarter license and collaboration revenue is comprised of duvelisib shipments to CSPC.

Costs of sales - product. Costs of sales - product for the 2020 Quarter was $0.5 million compared to $0.2 million for the 2019 Quarter. The $0.3 million increase was primarily driven by an increase in the volume of COPIKTRA sold and corresponding increases in royalties, manufacturing and other costs during the 2020 Quarter as compared to the 2019 Quarter. Cost of sales - product consisted of costs associated with the manufacturing of COPIKTRA, royalties owed to Healthcare Royalty Partners (HCR) and Infinity Pharmaceuticals, Inc. (Infinity) on such sales, and certain period costs. We expensed the manufacturing costs of COPIKTRA as operating expenses in the periods prior to July 1, 2018. In the third quarter of 2018, we began capitalizing inventory costs for COPIKTRA manufactured in preparation for our launch in the United States based on our evaluation of, among other factors, the status of the COPIKTRA New Drug Application (NDA) in the United States and the ability of our third-party suppliers to successfully manufacture commercial quantities of COPIKTRA. Certain of the costs of COPIKTRA units recognized as revenue during the 2020 Quarter and 2019 Quarter were expensed prior to the September 2018 FDA marketing approval and, therefore, are not included in cost of sales - product during this period. We expect cost of sales – product to increase in relation to product revenues as we deplete these inventories.

Research and development expense. Research and development expense for the 2020 Quarter was $10.9 million compared to $9.8 million for the 2019 Quarter. The $1.1 million increase was primarily related to a non-refundable payment of $3.0 million to Chugai in the 2020 Quarter for the VS-6766 license described further below under the heading “License and collaboration agreements”. The increase is partially offset by a decrease of $1.3 million in contract research organization (CRO) costs, and a decrease of $0.6 million in costs for clinical supply, drug substance, and drug product.

We allocate the expenses related to external research and development services, such as CROs, clinical sites, manufacturing organizations and consultants by project. We use our employee and infrastructure resources across multiple research and development projects. Our project costing methodology does not allocate personnel and other indirect costs to specific clinical programs. The following table summarizes our allocation of research and development expenses to our clinical programs, including COPIKTRA and defactinib, for the 2020 Quarter and the 2019 Quarter.

	Three months ended March 31,	
	2020	2019
	(in thousands)	
COPIKTRA	$ 3,619	$ 4,715
Defactinib/VS-6766	3,372	853
Unallocated and other research and development expense	3,634	3,770
Unallocated stock-based compensation expense	299	420
Total research and development expense	$ 10,924	$ 9,758

The decrease in COPIKTRA related costs of $1.1 million for the 2020 Quarter as compared to the 2019 Quarter was driven by a decrease of $1.6 million of CRO costs for our Phase 2 study for the treatment of PTCL – entitled PRIMO, a decrease of $0.5 million of CRO costs as a result of site closures in our Phase 3 DUO and Phase 2 DYNAMO studies throughout 2019 and 2020, and a net decrease of $0.1 million of other costs, partially offset by $1.1 million increase in CRO costs related to our Phase 2 Intermittent Dosing study entitled TEMPO. Unallocated and other research and development expenses include $2.7 million and $2.4 million of personnel costs for the 2020 Quarter and the 2019 Quarter, respectively.

Selling, general and administrative expense. Selling, general and administrative expense for the 2020 Quarter was $19.6 million compared to $26.0 million for the 2019 Quarter. The decrease of $6.4 million from the 2019 Quarter to the 2020 Quarter primarily resulted from a decrease of $2.8 million in consulting and professional fees, primarily related to the support of commercial launch activities in the 2019 Quarter, decrease of $2.3 million in personnel related costs, including non-cash stock-based compensation as a result of reduced headcount, and decrease of $1.3 million in reduced travel and other costs.

Cost of sales – intangible amortization. Cost of Sales – intangible amortization for the 2020 Quarter and 2019 Quarter was $0.4 million. Cost of sales – intangible amortization was related to the COPIKTRA finite-lived intangible asset which we recognized and began amortizing in September 2018.

Other expense. Other expense for the 2020 Quarter was $1.3 million compared to $0.0 million for the 2019 Quarter. Other Expense of approximately $1.3 million for the 2020 Quarter was for the mark-to-market adjustment related to the bifurcated make-whole interest provision derivative liability related to the 2019 Notes.

Interest income. Interest income for the 2020 Quarter was $0.4 million compared to $1.5 million for the 2019 Quarter. The decrease of $1.1 million was primarily due to lower investment cost basis and lower interest rates on investments.

Interest expense. Interest expense for the 2020 Quarter was $10.7 million compared to $4.9 million for the 2019 Quarter. The increase of $5.8 million was primarily due to non-cash interest expense recorded upon conversion of the 2019 Notes to common stock.

Restructuring: On October 28, 2019, we committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 40 positions and other cost-saving measures (the "October 2019 Restructuring"). We recorded $1.2 million expense in the fourth quarter of 2019, for one-time termination benefits to the affected employees, including cash severance payments, healthcare benefits, and outplacement assistance.

On February 27, 2020, we committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 31 positions and other cost-saving measures (the "February 2020 Restructuring"). During the 2020 Quarter, we recorded an aggregate expense of $1.8 million, which is reflected in the condensed consolidated statements of operation and comprehensive loss as selling general, and administrative expense and research and development expense for $1.3 million and $0.5 million, respectively, for one-time termination benefits for employee severance, benefits, and related costs.

LIQUIDITY AND CAPITAL RESOURCES

Sources of liquidity

We have financed our operations to date primarily through public and private offerings of our common stock, sales of common stock under our at-the-market equity offering programs, our loan and security agreement executed with Hercules in March 2017, as amended, the upfront payments under our license and collaboration agreements with Yakult, CSPC, and Sanofi, the issuance of $150.0 million aggregate principal amount of Notes in October 2018, and the proceeds in connection with the PIPE. With the commercial launch of COPIKTRA in the United States in September 2018, we have recently begun financing a portion of our operations through product revenue.

As of March 31, 2020 we had $170.7 million in cash, cash equivalents, and restricted cash, inclusive of $35.7 million of restricted cash. We primarily invest our cash, cash equivalents and short-term investments in U.S. Government money market funds and corporate bonds and commercial paper of publicly traded companies.

COPIKTRA is our only approved product and our business currently depends heavily on its successful commercialization. Successful commercialization of an approved product is an expensive and uncertain process. Risks and uncertainties include those identified under Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the SEC on March 11, 2020, this Quarterly Report on Form 10-Q and in any subsequent filings with the SEC.

Cash flows

The following table sets forth the primary sources and uses of cash for the 2020 Quarter and the 2019 Quarter (in thousands):

	Three months ended March 31, 2020	2019
Net cash (used in) provided by:		
Operating activities	$ (34,003)	$ (38,780)
Investing activities	32,050	363
Financing activities	93,421	75
Increase (decrease) in cash, cash equivalents and restricted cash	**$** 91,468	$ (38,342)

Operating activities. The use of cash in both periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The $4.8 million decrease in cash used in operating activities for the 2020 Quarter compared to the 2019 Quarter was primarily due to increased product revenue, net and decreased selling, general and administrative expenses, partially offset by a net increase in components of working capital.

Investing activities. The cash provided by investing activities for the 2020 Quarter relates to the net maturities of investments of $32.1 million. The cash provided by investing activities for the 2019 Quarter reflects the net maturities of investments of $0.4 million.

Financing activities. The cash provided by financing activities for the 2020 Quarter primarily represents $93.9 in net proceeds from sales of our common stock under the Purchase Agreement described below, and $1.2 million of proceeds received related to exercise of stock options and employee stock purchase plan. This is partially offset by $1.8 million of interest-make whole payments on the 2019 Notes. The cash provided by financing activities for the 2019 Quarter primarily represents $0.1 million of proceeds related to exercise of stock options.

On February 27, 2020, we entered into a Purchase Agreement with certain institutional investors in which we agreed to sell 46,511,628 shares of common stock at a purchase price of $2.15 per share, which represents 12.6% premium to the last reported sale price of our common stock of $1.91 per share on February 27, 2020. On March 3, 2020, the closing occurred. The aggregate proceeds net of underwriting discounts and offering costs, were approximately $93.8 million, of which $0.1 million of offering costs are within accounts payable as of March 31, 2020.

On October 17, 2018, we closed a registered direct public offering of $150.0 million aggregate principal amount of our 5.00% Convertible Senior Notes due 2048 (the 2018 Notes). The 2018 Notes are governed by the terms of a base indenture for senior debt securities (the 2018 Base Indenture), as supplemented by the first supplemental indenture thereto (the Supplemental Indenture and together with the 2018 Base Indenture, the 2018 Indenture), each dated October 17, 2018, by and between us and Wilmington Trust, National Association, as trustee. The 2018 Notes are senior unsecured obligations of us and bear interest at a rate of 5.00% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2019. The 2018 Notes will mature on November 1, 2048, unless earlier repurchased, redeemed or converted in accordance with their terms.

The 2018 Notes are convertible into shares of our common stock, par value $0.0001 per share, together, if applicable, with cash in lieu of any fractional share, at an initial conversion rate of 139.5771 shares of common stock per $1,000 principal amount of the 2018 Notes, which corresponds to an initial conversion price of approximately $7.16 per share of common stock and represents a conversion premium of approximately 15.0% above the last reported sale price of the common stock of $6.23 per share on October 11, 2018. Upon conversion, converting noteholders will be entitled to receive accrued interest on their converted 2018 Notes. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends, but will not be adjusted for any accrued and unpaid interest.

We have the right, exercisable at our option, to cause all 2018 Notes then outstanding to be converted automatically if the “Daily VWAP” (as defined in the 2018 Indenture) per share of our common stock equals or exceeds 130% of the conversion price, which equates to approximately $9.31 per share, on each of at least 20 VWAP Trading Days (as defined in the 2018 Indenture), whether or not consecutive, during any 30 consecutive VWAP Trading Day period commencing on or after the date we first issued the 2018 Notes.

The 2018 Indenture includes customary covenants and sets forth certain events of default after which the 2018 Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving us or certain of its subsidiaries after which the 2018 Notes become automatically due and payable.

We assessed all terms and features of the 2018 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, we assessed the economic characteristics and risks of the 2018 Notes, including the conversion, put and call features. The conversion feature was initially bifurcated as an embedded derivative but subsequently qualified for a scope exception to derivative accounting upon our stockholders approving an increase in the number of authorized shares of common stock in December 2018. We determined that all other features of the 2018 Notes were clearly and closely associated with the debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to our condensed consolidated financial statements. We reassess the features on a quarterly basis to determine if they require separate accounting. There have been no changes to our original assessment through March 31, 2020.

On November 14, 2019 and December 23, 2019, we entered into privately negotiated agreements to exchange approximately $114.3 million and $7.4 million, respectively, aggregate principal amount of the 2018 Notes for (i) approximately $62.9 million and $4.0 million, respectively, aggregate principal amount of 5.00% Convertible Senior Second Lien Notes due 2048 (the 2019 Notes) (ii) an aggregate of approximately $11.4 million and $0.7 million in 2018 Notes principal repayment and (iii) accrued interest on the 2018 Notes through November 14, 2019 and December 23, 2019, respectively. The 2019 Notes are governed by the terms of an indenture (the 2019 Indenture). The 2019 Notes are senior secured obligations of ours and bear interest at 5.00% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. The 2019 Notes will mature on November 1, 2048, unless earlier repurchased, redeemed or converted in accordance with the terms thereof.

The 2019 Notes are convertible into shares of our common stock, par value $0.0001 per share, together, if applicable, with cash in lieu of any fractional share, at an initial conversion rate of 606.0606 shares of common stock per $1,000 principal amount of the 2019 Notes, which corresponds to an initial conversion price of approximately $1.65 per share of common stock and represents a conversion premium of approximately 52.8% above the last reported sale price of our common stock of $1.08 per share on November 11, 2019. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends, but will not be adjusted for any accrued and unpaid interest.

We have the right, exercisable at our option, to cause all 2019 Notes then outstanding to be converted automatically if the “Daily VWAP” (as defined in the 2019 Indenture) per share of our common stock equals or exceeds 121% of the conversion price on each of at least 20 VWAP Trading Days (as defined in the 2019 Indenture), whether or not consecutive, during any 30 consecutive VWAP Trading Day period commencing on or after the date we first issued the 2019 Notes. (Company’s Mandatory Conversion Option).

Upon conversion, converting noteholders will be entitled to receive accrued interest on their converted 2019 Notes. In addition, if the 2019 Notes are converted with a conversion date that is on or prior to November 1, 2020, other than in connection with our exercise of the Company’s Mandatory Conversion Option then the consideration due upon any such conversion will also include a cash interest make-whole payment for all future scheduled interest payments on the converted 2019 Notes through November 1, 2020 (2019 Notes Interest Make-Whole Provision).

We assessed all terms and features of the 2019 Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, we assessed the economic characteristics and risks of the 2019 Notes, including the conversion, put and call features. In consideration of the 2019 Notes Interest Make-Whole Provision, we concluded the provision required bifurcation as a derivative. It was determined that the fair value of the derivative upon the November 14, 2019 and December 23, 2019 issuance of the 2019 Notes was $0.2 million in aggregate; and we recorded this amount as a derivative liability and the offsetting amount as a debt discount as a reduction to the carrying value of the 2019 Notes on the closing dates. It was determined that the fair value of the derivative at December 31, 2019 was $0.5 million.

During the three months ended March 31, 2020, 2019 Note holders converted $57.4 million aggregate principal of 2019 Notes in exchange for 34,796,350 shares of common stock and $1.8 million of cash for 2019 Interest Make-Whole Provision. We recorded the change in fair value of the 2019 Interest Make-Whole Provision of $1.3 million for the three months ended March 31, 2020 as other expense in the condensed consolidated statement of operations and comprehensive loss. We determined that all other features of the 2019 Notes were clearly and closely associated with a debt host and did not require bifurcation as a derivative liability, or the fair value of the feature was immaterial to our condensed consolidated financial statements. As of March 31, 2020, all 2019 Notes have converted into shares of common stock.

As of March 31, 2020, there was $28.3 million aggregate principal amount outstanding of the 2018 Notes compared to $28.3 million and $57.4 million aggregate principal amount outstanding of the 2018 Notes and 2019 Notes, respectively, for a total of $85.7 million aggregate principal amount outstanding as of December 31, 2019.

License and collaboration agreements

Chugai

On January 7, 2020, we entered into a license agreement with Chugai (the Chugai Agreement) whereby Chugai granted us an exclusive worldwide license for the development, commercialization and manufacture of products containing VS-6766, a dual RAF/MEK inhibitor.

Under the terms of the Chugai Agreement, we received an exclusive right to develop and commercialize products containing VS-6766 at our own cost and expense. We are required to pay Chugai a non-refundable payment of $3.0 million which was paid in February 2020. We are further obligated to pay Chugai double-digit royalties on net sales of products containing VS-6766, subject to reduction in certain circumstances. Chugai also obtained opt back rights to develop and commercialize VS-6766 (a) in the European Union, which option may be exercised through the date we submits a NDA to the FDA for a product which contains VS-6766 as the sole active pharmaceutical ingredient and (b) in Japan and Taiwan, which option may be exercised through the date we receive marketing authorization from the FDA for a product which contains VS-6766 as the sole active pharmaceutical ingredient. As consideration for executing either option, Chugai would have to make a payment to us calculated on our development costs to date. Chugai and we have made customary representations and warranties and have agreed to certain customary covenants, including confidentiality and indemnification.

Unless earlier terminated, the Chugai Agreement will expire upon the fulfillment of the our royalty obligations to Chugai for the sale of any products containing the VS-6766, which royalty obligations expire on a product-by-product and country-by-country basis, upon the last to occur, in each specific country, of (a) expiration of valid patent claims covering such product or (b) 12 years from the first commercial sale of such product in such country.

We may terminate the Chugai Agreement upon 180 days' written notice. Subject to certain limitations, Chugai may terminate the Chugai Agreement upon written notice if we challenge any patent licensed by Chugai to us under the Chugai Agreement. Either party may terminate the license agreement in its entirety with 120 days' written notice for the other party's material breach if such party fails to cure the breach. Either party may also terminate the Chugai Agreement in its entirety upon certain insolvency events involving the other party.

We evaluated the license agreement with Chugai under *ASC Topic 805, Business Combinations* and concluded that as the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets, the transaction did not meet the requirements to be accounted for as a business combination and therefore was accounted for as an asset acquisition. We recorded the up-front payment of $3.0 million as research and development expense within the condensed consolidated statement of operations for the three months ended March 31, 2020.

Sanofi

On July 25, 2019, we entered into a license and collaboration agreement with Sanofi (the Sanofi Agreement), under which we granted exclusive rights to Sanofi to develop and commercialize products containing duvelisib in

Russia, the Commonwealth of Independent States (CIS), Turkey, the Middle East and Africa (collectively the "Sanofi Territory") for the treatment, prevention, palliation or diagnosis of any oncology indication in humans or animals.

Yakult

On June 5, 2018, we entered into a license and collaboration agreement with Yakult (the Yakult Agreement), under which we granted exclusive rights to Yakult to develop and commercialize products containing duvelisib in Japan for the treatment, prevention, palliation or diagnosis of all oncology indications in humans or animals.

Subsequently, on February 28, 2019, we entered into a supply agreement with Yakult (the Yakult Supply Agreement), under which we agreed to provide Yakult with drug product for clinical and commercial use in accordance with the Yakult Agreement. Under the terms of the Yakult Supply Agreement, we also granted to Yakult a limited manufacturing license to fill, finish, package, and label the drug product solely for clinical and commercial purposes in Japan.

CSPC

On September 25, 2018, we entered into a license and collaboration agreement with CSPC (the CSPC Agreement), under which we granted exclusive rights to CSPC to develop and commercialize products containing duvelisib in the People's Republic of China (China), Hong Kong, Macau and Taiwan (each, a Region and collectively, the CSPC Territory) for the treatment, prevention, palliation or diagnosis of all oncology indications in humans.

Funding requirements

We expect to continue to incur significant expenses and operating losses. We anticipate that our expenses and operating losses will continue as we:

- commercialize COPIKTRA;
- continue our ongoing clinical trials, including with VS-6766, defactinib, and COPIKTRA;
- initiate additional clinical trials for our product candidates;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other products and technologies;
- hire additional clinical, development and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and commercialization efforts; and
- establish and maintain a sales, marketing and distribution infrastructure to commercialize COPIKTRA or any products for which we may obtain marketing approval.

We expect our existing cash resources, along with the revenue we expect to generate from COPIKTRA will be sufficient to fund our obligations for at least the next twelve months from the date of filing of this Quarterly Report on Form 10-Q. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, and the extent to which we may enter into collaborations with third parties for development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the development of our current product candidates. Our future capital requirements will depend on many factors, including:

- the costs and timing of commercialization activities for COPIKTRA and the product candidates for which we expect to receive marketing approval;
- the scope, progress and results of our ongoing and potential future clinical trials;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs, timing and outcome of regulatory review of our product candidates (including our efforts to seek approval and fund the preparation and filing of regulatory submissions);

- revenue received from commercial sales of COPIKTRA and our product candidates, should any of our other product candidates also receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property related claims; and
- our ability to establish collaborations or partnerships on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, 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 the rights of our existing stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The disclosure of our contractual obligations and commitments was reported in our Annual Report on Form 10-K for the year ended December 31, 2019. There have not been any material changes from the contractual obligations and commitments previously disclosed in such report.

OFF-BALANCE SHEET ARRANGEMENTS

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. We had cash, restricted cash, cash equivalents and short-term investments of $170.7 million as of March 31, 2020 consisting of cash, U.S. Government money market funds, agency bonds, corporate bonds and commercial paper of publicly traded companies. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because most of our investments are interest bearing. Our available for sale securities are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio.

We contract with CROs and contract manufacturers globally which may be denominated in foreign currencies. We may be subject to fluctuations in foreign currency rates in connection with these agreements. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. As of March 31, 2020, an immaterial amount of our total liabilities was denominated in currencies other than the functional currency.

As of March 31, 2020, we have borrowed $35.0 million under the Amended Loan Agreement. The Amended Loan Agreement bears interest per annum equal to the greater of either (a) 9.75% or (b) the lesser of (i) 12.00% and (ii) the sum of (x) 9.75% plus (y) (A) the prime rate minus (B) 5.50%. Changes in interest rates can cause interest charges to fluctuate under the Amended Loan Agreement. A 10% increase in current interest rates would have resulted in an immaterial increase in the amount of cash interest expense for the three months ended March 31, 2020.

The 2018 Notes bear interest at a fixed rate and therefore have minimal exposure to changes in interest rates; however, because the interest rates are fixed, we may be paying a higher interest rate, relative to market, in the future if our credit rating improves or other circumstances change.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and our Chief Business and Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934 (Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020 our Chief Executive Officer and our Chief Business and Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

The following is an update to the risk factors included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, has and may in the future adversely affect our business.

Broad-based business or economic disruptions could adversely affect our ongoing or planned research and development activities, sales of COPIKTRA, our financial condition and our results of operations. For example, United States residents and businesses in major urban centers have been hit especially hard by the global spread of COVID-19, which has resulted in certain disruptions to our business and may in the future result in additional disruptions to our business. Examples of both include:

- Travel and access restrictions. Travel restrictions and widespread access restrictions on health plans, academic institutions, hospitals and clinics for non-patients have impacted the ability of our commercial teams and medical affairs teams to access physicians and clinicians. The restrictions on in-person meetings limit our ability to market our product, including meeting new customers and educate physicians and clinicians, which, in turn, could have an adverse effect on sales of COPIKTRA.
- Reductions in patient visits for clinical trials. Clinical investigators have reduced patient visits for in-process clinical trials and have transitioned to remote patient visits where possible. Further, we have seen a reduction in site initiation, participant recruitment and enrollment, due to the COVID-19 pandemic, which could further pause or delay our clinical trials. For example, we have paused initiation of a new site in New York due to the hospitals' prioritizing resources for the COVID-19 pandemic. In addition, participant dosing, study monitoring and data analysis may be paused or delayed due to changes in hospital or academic institution policies, federal, state or local regulations, prioritization of hospital resources toward pandemic efforts, or other reasons related to the COVID-19 pandemic.
- Accessibility limitations on our contract research organizations (CROs). The ability of principal investigators and site staff to perform their functions, who as healthcare providers, may have heightened exposure to COVID-19, could be disrupted and cause elongation or de-prioritization of our clinical trials, increase the costs related to such development, and materially adversely impact our clinical trial operations.
- Limitations on third party manufacturers and distributors. We currently utilize third parties to, among other things, supply raw materials, produce drug substance, drug product, and drug packaging and commercially distribute COPIKTRA to patients. Some of our third party manufacturers and distributors may in the future be limited and, at times, precluded from delivering us raw materials, drug substance, drug product, and drug packaging and delivering COPIKTRA to patients on a timely basis, for a variety of reasons, including without limitation an evolving understanding of how international, federal, and/or state authorities define "essential business", their inability to remain open due to lost business in other parts of their portfolios, or because of international, federal, and/or state prioritization orders requiring our manufacturers to produce for and our distributors to distribute to governmental entities, competitors and/or other companies before they produce for us.
- Capital markets volatility. Equity and debt markets have experienced significant volatility since the spread of COVID-19 into the United States, which makes it more difficult to raise capital at a reasonable valuation or at all.

- Health risks for our employees. The health and wellbeing of our employees, including our commercial teams who may visit our hospital customers, and the employees of our third parties is at risk– if a significant number of our personnel were to be diagnosed with COVID-19, placed in quarantine due to potential exposure to COVID-19, or need to care for family members diagnosed with COVID-19, it may result in significant business disruption.
- Work-from-home limitations. We have asked most employees to work from home, which could impact our ability to effectively plan, execute, communicate and maintain our corporate culture. The remote working environment could increase our cyber security risk, create data accessibility concerns, and make us more susceptible to communication disruptions.
- Regulatory disruption. There may be interruptions or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines.
- Business interruptions or disruptions. There may be interruptions or disruptions that directly or indirectly adversely affect our or our current or potential collaboration partners' organizations, which may delay or disrupt our business plans or impact a collaboration partner's ability to fully perform under our agreements with them.

Each of these factors could have a material adverse effect on our business and results of operations. The extent to which COVID-19 impacts our results will depend on many factors and future developments, including new information about COVID-19 and any new government regulations which may emerge to contain the virus, among others.

Furthermore, you should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 as filed with the SEC on March 11, 2020, one or more of which may be precipitated or exacerbated by the impact of the COVID-19 pandemic, including risks relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, our ability to comply with the covenants contained in the agreements that govern our indebtedness and our availability of adequate capital.

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

RECENT SALES OF UNREGISTERED SECURITIES

None.

PURCHASE OF EQUITY SECURITIES

We did not purchase any of our equity securities during the period covered by this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

10.1*	†	License Agreement for CKI27, dated January 7, 2020, between Verastem, Inc. and Chugai Pharmaceutical Co., Ltd.
10.2*		Form of Restricted Stock Unit Agreement under the 2012 Incentive Plan
10.3*		Form of Inducement Restricted Stock Unit Agreement
10.4*		Form of Incentive Stock Option Agreement under 2012 Incentive Plan
10.5*		Form of Nonstatutory Stock Option Agreement under 2012 Incentive Plan
10.6*		Form of Inducement Nonstatutory Stock Option Agreement
31.1*		Certification of Principal Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*		Certification of Chief Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*		Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*		Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*		Press Release issued by Verastem, Inc. on May 7, 2020
101.INS*		XBRL Instance Document
101.SCH*		XBRL Taxonomy Extension Schema Document
101.CAL*		XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*		XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*		XBRL Taxonomy Extension Label Linkbase Document
101.PRE*		XBRL Taxonomy Extension Presentation Linkbase Document

* Filed or furnished herewith.

† Certain confidential information contained in this exhibit has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

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.

VERASTEM, INC.

Date: May 7, 2020 By: /s/ BRIAN M. STUGLIK

Brian M. Stuglik
Chief Executive Officer
(Principal executive officer)

Date: May 7, 2020 By: /s/ ROBERT GAGNON

Robert Gagnon
Chief Business and Financial Officer
(Principal financial and accounting officer)

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [* * *], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO VERASTEM, INC. IF PUBLICLY DISCLOSED.

LICENSE AGREEMENT FOR CKI27

This License Agreement for CKI27 ("**Agreement**") is made and entered into as of January 7th, 2020 (the "**Effective Date**") by and between

Verastem, Inc., a Delaware corporation with its principal place of business at 117 Kendrick St., Suite 500, Needham, MA 02494, the United States of America ("**VERASTEM**"),

And

CHUGAI PHARMACEUTICAL CO., LTD, a corporation duly established under the laws of Japan, having its principal place of business at 2-1-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo 108-8324, Japan ("**CHUGAI**").

WITNESSETH:

WHEREAS, VERASTEM is a pharmaceutical company that possesses expertise in the research, regulatory, development, manufacturing and commercialization of pharmaceutical products on a worldwide basis;

WHEREAS, CHUGAI is a pharmaceutical company that possesses expertise in the research, regulatory, development, manufacturing and commercialization of pharmaceutical products on a worldwide basis; and,

WHEREAS, VERASTEM wishes to license from CHUGAI the intellectual property rights in and to the compound designated by CHUGAI as "CKI27(2)" or "CH5126766 (RO5126766)" so as to develop and commercialize pharmaceutical products containing such compound, and CHUGAI wishes to license to VERASTEM such intellectual property rights.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, VERASTEM and CHUGAI enter into this Agreement as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Unless the context otherwise requires, the terms in this Agreement, when used with initial capital letters, shall have the meanings set forth below or at their first use in this Agreement:

"**Affiliate**" means, with respect to a Party or other entity, any corporation or other legal entity Controlled by, Controlling, or under common Control with such Party or entity. For the purpose of this definition, the term "Control" means owning, directly or indirectly, more than fifty percent (50%) of the issued voting stock of a corporation or other legal entity, or having otherwise the power to govern the management.

"**Applicable Laws**" means any and all of the applicable laws, rules and regulations, including any rules, regulations, guidelines, administrative guidance, or other requirements of any Governmental Authorities that may be in effect from time to time in any country or jurisdiction of the Territory.

"**Business Day**" means any day other than Saturdays, Sundays or other days on which commercial banks located in Boston, the United States of America, or Tokyo, Japan, are authorized or required by law to remain closed.

"**Chugai Compound**" means (a) the dual Raf/MEK inhibitor referred to by Chugai as "CKI27(2)" or "CH5126766 (RO5126766)," (b) its acids, bases, salts, metabolites, esters, isomers, enantiomers, pro-drug forms, hydrates, solvates, polymorphs and degradants thereof, in each case that has substantially the same pharmacological effect, in crystal, powder or other form, and (c) any other compounds that are claimed by [***] as of patent filing date [***].

"**CMC**" means any technology concerning the section of "Chemistry, Manufacturing and Controls" in the application form to a Government Authority regarding composition,

manufacture and control of a pharmaceutical product, as such term is customarily used in the pharmaceutical industry.

"**Commercially Reasonable Efforts**" means, with respect to the efforts to be expended by a Party with respect to any objective hereunder, those reasonable, diligent, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances. With respect to VERASTEM's obligations relating to Development and Commercialization, "Commercially Reasonable Efforts" means [***].

"**Confidential Information**" shall have the meaning set forth in Article 10.1.

"**Control**" or "**Controlled**" means, with respect to information or intellectual property rights, that the Party named as having Control owns such information or intellectual property rights, or otherwise possesses the ability to grant a license, sublicense or other rights under or with respect to such information or intellectual property rights, without violating the terms of any agreement to which such Party is a party.

"**Data**" means any and all research data, technical data, test and development data, pre-clinical and clinical data, formulations, processes, manufacturing information, protocols, regulatory files and the like which are developed by either Party prior to the Effective Date or during the Term and which relate directly to the Chugai Compound and/or the Product.

"**Development and Commercialization**" shall have the meaning set forth in Article 3.1.

"**Disclosing Party**" shall have the meaning set forth in Article 10.1.

"**European Union**" or "**EU**" means (a) all countries or territories that are part of the European Union; and (b) whether or not it is part of the EU, the United Kingdom.

"**EU Opt-Back Right**" shall have the meaning set forth in Article 5.1.1.

[***].

"**Field**" means all uses, including the diagnosis, prevention and treatment of diseases and other conditions in all indications.

"**First Commercial Sale**" means, with respect to a given Product in the Territory, the first sale of such Product by VERASTEM or its Affiliates or sublicensees to a third party (excluding sublicensees) in the Territory after the receipt of Marketing Authorization for such Product in the Territory. [***]

"**Fully-Burdened Manufacturing Cost**" means the fully-burdened cost and expense incurred in the manufacture of a product, determined using VERASTEM's customary practices and procedures for its other products, and which includes, without limitation, the following: [***].

"**Governmental Authority**" means any national (e.g., the FDA), supra-national (e.g., the EMEA), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity in each country of the world.

[***]

"**Improvements**" means data, inventions, discoveries and know-how, whether patentable or not, and any intellectual property rights thereof, which are necessary or useful to exploit the Chugai Compound and/or the Product and which are acquired or developed by the relevant Party or its Affiliates on or after the Effective Date during the course of its/their activities under this Agreement or, with respect to CHUGAI, during the course of (a) an On-going Agreement, the [***] or the MTA Study Agreement, and/or (b) activities under the license agreement to be entered into between CHUGAI and VERASTEM upon exercise by CHUGAI of any Opt-Back Right.

"**IND**" means an investigational new drug application as defined in the United States Federal Food, Drug, and Cosmetic Act and the United States Code of Federal Regulations, Title 21, Part 312 ("*Investigational New Drug Application*"), as amended and applicable regulations promulgated thereunder by the FDA, or an equivalent application submitted to an equivalent Governmental Authority in any other country or jurisdiction, the filing of which is necessary to initiate or conduct clinical testing of a pharmaceutical product in humans in such country or jurisdiction, including a clinical trial application.

"**Japan Opt-Back Right**" shall have the meaning set forth in Article 5.1.2.

[***].

"**Licensed Know-How**" means non-public and proprietary data and information that is necessary or useful to exploit the Chugai Compound and/or the Product, each existing as of the Effective Date.

"**Licensed Patents**" means any and all Patents that are necessary or useful to make, have made, develop, sell, offer for sale, have sold, import or export the Chugai Compound and/or any Product, in each case to the extent Controlled by CHUGAI as of the Effective Date, including those patents listed in APPENDIX I(A). To the extent a Licensed Patent is jointly owned by CHUGAI and VERASTEM, then the term "Licensed Patent" shall refer to all of CHUGAI's rights in such jointly owned Patent.

"**Marketing Authorization**" means, in respect of any country, the marketing authorization granted by the applicable Governmental Authority, which is required (in compliance with Applicable Laws) to place any pharmaceutical product on the market in such country for sale (excluding any pricing or reimbursement approval).

[***].

"**MTA Study Agreement**" shall have the meaning set forth in Article 2.3. CHUGAI shall not amend the MTA Study Agreement without the prior written consent of VERASTEM, which consent shall not be unreasonably withheld.

"**NDA**" means a new drug application, as specified in Section 505(b) of the United States Federal Food, Drug, and Cosmetic Act and in the United States Code of Federal Regulations, Title 21, Part 314, filed with the FDA or the equivalent application filed with any other Governmental Authority to obtain a Marketing Authorization for a Product in a country.

"**Net Sales**" means [***] by VERASTEM, its sublicensees or their respective Affiliates for the sale of the Product to a non-affiliated third party, less [***]. For the purpose of clarification, sales between and among any two of VERASTEM, its sublicensees and their respective Affiliates shall not be subject to royalty, but in such cases royalties shall accrue and be calculated on any subsequent sale of the Product to a non-affiliated third party as described above.

Notwithstanding the foregoing, in the event a Product is sold in a country as a "**Combination Product**," defined as a product which contains the Chugai Compound and any therapeutically active pharmaceutical ingredient other than the Chugai Compound (the "**Other Active Ingredient**") in a calendar quarter, Net Sales of such Combination Product will be calculated as follows:

[***].
[***].
[***].
[***].
[***].

"**Notice**" shall have the meaning set forth in Article 15.1.

"**On-going Agreements**" shall have the meaning set forth in Article 2.3. CHUGAI shall not amend any On-going Agreement without the prior written consent of VERASTEM, which consent shall not be unreasonably withheld.

"**On-going Agreement 2**" shall have the meaning set forth in Appendix II.

"**On-going Research Data Transfer**" shall have the meaning set forth in Article 3.5.

"**Opt-Back Rights**" shall have the meaning set forth in Article 5.1.2.

"**Party**" or "**Parties**" means either VERASTEM or CHUGAI, as the context requires, and when used in the plural shall mean VERASTEM and CHUGAI.

"**Patents**" means any and all issued patents and all applications, provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, all letters patent granted thereon, and all reissues, re-examinations and extensions and supplementary protection certificates and the like thereof, and all foreign counterparts of any of the foregoing.

[***]

"**Product**" means a product which contains the Chugai Compound as the sole active pharmaceutical ingredient ("**API**").

"**Product Trademark(s)**" shall have the meaning set forth in Article 8.1.

"**Receiving Party**" shall have the meaning set forth in Article 10.1.

"**Relevant Data and Information**" shall have the meaning set forth in Article 3.3.

"**Royalty Term**" means, with respect to a particular Product in a country in the Territory, the period of the time beginning upon First Commercial Sale of such Product in such country and ending upon the later of: (i) the date on which all Licensed Patents containing a Valid Claim [***] have expired, and (ii) the twelfth (12th) anniversary of the First Commercial Sale of such Product in such country.

"**Territory**" means all countries in the world.

"**Technical Transfer**" shall have the meaning set forth in Article 3.4.

"**Trademarks**" means collectively, all registered and unregistered marks, trade names, trade dress rights, logos, taglines, slogans, and other indicia of origin, together with the goodwill associated with any of the foregoing, and all applications, registrations, extensions and renewals thereof, selected for use on a product.

"Valid Claim" means [***]

"**Verastem Compound**" means the FAK inhibitor, defactinib (code name: VA-6063).

[***]

[***]

[***]

1.2 Interpretation

For purposes of this Agreement, (i) words in the singular shall be held to include the plural and vice versa as the context requires, (ii) the words "including" and "include" shall mean "including, without limitation", unless otherwise specified; (iii) the terms "hereof",

"herein", "herewith", and "hereunder", and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; and (iv) all references to Articles, Sections, Appendices, Schedules and subdivisions thereof shall, unless otherwise specified, are intended to refer to Articles of, Schedules of, Appendices and Schedules to this Agreement and subdivisions thereof, respectively.

1.3 Headings

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the interpretation of any of the terms or provisions of this Agreement.

2. GRANT OF LICENSE AND IMPROVEMENTS

2.1 License Grant.

2.1.1 Rights Granted

Subject to the terms and conditions herein contained, CHUGAI hereby grants VERASTEM an exclusive (including with regard to CHUGAI and its Affiliates) license, with the right to grant sublicenses as provided in Article 2.2, under the Licensed Patents and Licensed Know-How, to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the Territory.

2.1.2 Relationship with On-going Agreements

With respect to [***] as Licensed Patents, which were acquired or developed during the course of an On-going Agreement, the license granted from CHUGAI to VERASTEM hereunder is subject to the rights and obligations under the applicable On-going Agreement.

2.2 The Right to Sublicense

The license granted under Article 2.1 to VERASTEM shall include the right to grant sublicenses under the Licensed Patents and Licensed Know-How and shall also include the right to grant to a sublicensee the right to grant further sublicenses.

If VERASTEM or any of its Affiliates enters into a sublicense agreement or any agreement with a third party service provider or manufacturer, VERASTEM shall ensure that the applicable terms and conditions of this Agreement shall apply to the applicable

sublicensee, service provider or manufacturer to the same extent as they apply to VERASTEM with respect to, and to the extent of the Licensed Patents and Licensed Know-How. VERASTEM shall assume full responsibility for the performance of all its obligations under this Agreement.

2.3 Exclusivity as to CHUGAI

Except for (i) the Technical Transfer, (ii) the development or commercialization activities for the Product conducted by CHUGAI pursuant to this Agreement, (iii) [***] (iv) CHUGAI's support of the non-clinical research activities for the Chugai Compound or the Product conducted by [***] pursuant to that certain Material Transfer Agreement, entered into between [***] and CHUGAI, dated as of [***] (the "**MTA Study Agreement**"), (v) CHUGAI's support of the clinical trial for the Chugai Compound or the Product pursuant to that certain [***] with CHUGAI entered into between [***], and CHUGAI, [***] (the "[***]"), or (vi) any activities conducted by CHUGAI pursuant to the license agreement to be entered into between CHUGAI and VERASTEM upon exercise by CHUGAI of any Opt-Back Right, CHUGAI shall not conduct any activities for the Chugai Compound or the Product in the Territory without prior approval of VERASTEM.

Notwithstanding anything to the contrary herein, CHUGAI may continue to support the investigator initiated studies for which CHUGAI is providing support as of the Effective Date pursuant to the agreements listed in Appendix II (the "**On-going Agreements**"), the [***] and the MTA Study Agreement. CHUGAI may provide any financial, technical or other support and the Product or Chugai Compound to such investigator initiated studies as required pursuant to the terms and conditions of the On-going Agreements or [***].

2.4 Improvements

2.4.1 VERASTEM Improvements

Any and all Improvements solely acquired or developed by VERASTEM, and/or by any third parties on behalf of VERASTEM, shall be solely owned by VERASTEM (hereinafter "**VERASTEM Improvements**"). VERASTEM's rights thereto and interests therein shall become subject to CHUGAI's Opt-Back Rights under Article 5.

2.4.2 CHUGAI Improvements

(a) Any and all Improvements solely acquired or developed by CHUGAI, and/or by any third parties on behalf of CHUGAI, or otherwise Controlled by CHUGAI, including through the terms of any On-going Agreement, the [***] and the MTA Study Agreement, shall be solely owned or Controlled by CHUGAI (hereinafter "**CHUGAI Improvements**"). Subject to the

terms and conditions herein contained, CHUGAI hereby grants to VERASTEM (i) with respect to CHUGAI Improvements arising from the Ongoing Agreements, an exclusive (including with regard to CHUGAI and its respective Affiliates) license, with the right to grant sublicense as provided in Article 2.2, to use such CHUGAI Improvements to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the Territory and (ii) with respect to CHUGAI Improvements arising from the [***]or Patents covering CHUGAI Improvements arising from the MTA Study Agreement, a non-exclusive, fully-paid up and royalty-free license, with the right to grant sublicense as provided in Article 2.2, to use such CHUGAI Improvements to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the Territory. The foregoing licenses are subject to the rights and obligations under the Ongoing Agreements, the [***] and the MTA Study Agreement, respectively and CHUGAI grants such licenses only to the extent CHUGAI is granted or entitled under the applicable On-going Agreement, [***] or MTA Study Agreement.

(b) If CHUGAI [***], then the Study IPR (as defined in On-going Agreement 2), for use with the Chugai Compound or the Product, shall be included as a CHUGAI Improvement.

(c) If any CHUGAI Improvements arising out of an On-going Agreement are covered by a Patent, then such Patents shall be considered Licensed Patents hereunder. If any CHUGAI Improvements arising out of the [***] and the MTA Study Agreement are covered by a Patent, then such Patents shall not be considered Licensed Patents hereunder.

(d) CHUGAI hereby agrees that with respect to CHUGAI Improvements arising from the [***] or MTA Study Agreement, it may not grant to any third party any license to use such CHUGAI Improvements to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the Territory.

2.4.3 Joint Improvements

Any and all Improvements acquired or developed jointly by VERASTEM and CHUGAI shall be jointly owned by the Parties (hereinafter "**Joint Improvements**"). Subject to the terms and conditions herein contained, CHUGAI hereby grants to VERASTEM an exclusive (including with regard to CHUGAI and its respective Affiliates) right, with the right to grant sublicense as provided in Article 2.2, under CHUGAI's rights in Joint Improvements to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the Territory. VERASTEM's rights in Joint Improvements shall become subject to CHUGAI's Opt-Back Rights under Article 5.

3. DEVELOPMENT, COMMERCIALIZATION AND REGULATORY ACTIVITIES

3.1 Responsibility of VERASTEM

VERASTEM shall have the sole responsibility for, as well as full freedom to decide and implement, at its sole expense, all development and commercialization activities for the Product in the Field in the Territory, including, but not limited to, regulatory filings and communications with Governmental Authorities for Marketing Authorizations, manufacturing of the Chugai Compound and/or the Product, marketing, promotion, decisions on package design and Trademark used for the Product sold in the Field in the Territory and decision on timing and strategy of launch of the Product in the Field in the Territory (collectively "**Development and Commercialization**").

Any and all regulatory filings relating to the Development and Commercialization, including, but not limited to, a filing for IND and NDA, shall be made under the name of VERASTEM or its designee/assignee.

For regulatory or pharmacovigilance purposes, VERASTEM, or its designee and/or assignee, shall be the sponsor of any clinical development of the Product in the Field in the Territory.

3.2 Commercially Reasonable Efforts

VERASTEM shall use Commercially Reasonable Efforts in the Territory to develop or have developed and obtain or have obtained Marketing Authorizations and any other approvals of Governmental Authorities necessary or advisable to sell the Product and thereafter to market and sell the Product.

3.3 Provision of Relevant Data and Information

Promptly after the Effective Date, CHUGAI shall disclose or provide to VERASTEM all existing Data and technology and regulatory filings/approvals in its possession for the Chugai Compound or Product in the Field in the Territory ("**Relevant Data and Information**"). This includes, without limitation, providing VERASTEM with full access (and not just view access) to all of the information CHUGAI has placed in the virtual data room prior to the Effective Date. The Relevant Data and Information so disclosed or provided to VERASTEM shall remain in the sole ownership of CHUGAI at all times and VERASTEM shall have an exclusive (including with regard to CHUGAI and its respective Affiliates) license, with the right to grant sublicenses as provided in Article 2.2, to use and exploit such Relevant Data and Information for the development and commercialization of the Chugai Compound or the Product in the Field in the Territory under this Agreement; provided that CHUGAI may use and exploit such Relevant Data and Information for any activities permitted to CHUGAI under Article 2.3. The consideration set out in Article 6 below shall be deemed to include any fee, compensation and/or royalties whatsoever for the exclusive license of the Relevant Data and Information.

3.4 Technical Transfer

Upon VERASTEM's request, CHUGAI shall conduct activities to transfer to VERASTEM technical information and know-how relating to the production or manufacture of the Chugai Compound and/or Product, including any Relevant Data and Information and Licensed Know-How, for the purpose of enabling VERASTEM to conduct activities relating to CMC and resulting production or manufacture of the Product (such activities of CHUGAI, "**Technical Transfer**"). For the avoidance of doubt, the Technical Transfer shall not require CHUGAI to conduct new CMC experimental research not currently ongoing or otherwise completed as of the Effective Date.

All materials and information provided by CHUGAI to VERASTEM in connection with the Technical Transfer shall be provided on an "AS IS" basis, provided that CHUGAI shall provide all such materials and information in the English language.

The detailed activities, the process of, and the required time period for the Technical Transfer shall be described in APPENDIX III. For the sake of clarity, the required time periods for the Technical Transfer described in Appendix III shall begin upon VERASTEM's request to begin the Technical Transfer activities. Additionally, CHUGAI shall reasonably cooperate with VERASTEM by providing, upon VERASTEM's request, (i) any additional data and information relating to the production or manufacture of the Chugai Compound and/or Product and Controlled by CHUGAI that has not been provided under the initial Technical

Transfer and (ii) reasonable assistance in responding to queries from Government Authorities in the Territory relating to the Chugai Compound and/or the Product to the extent that CHUGAI can assist without performing any work to produce new data or information.

3.5 Ongoing Research Data Transfer

3.5.1 CHUGAI shall conduct activities to transfer to VERASTEM the data of the on-going research relating to the Chugai Compound or the Product conducted in accordance with (a) the On-going Agreements, except for the On-going Agreement 2 (as defined in Appendix II), and (b) the [***], subject to the rights and obligations under the applicable On-going Agreement or the [***] (such activities of CHUGAI, the "**On-going Research Data Transfer**"). All materials and information provided by CHUGAI to VERASTEM in connection with the On-going Research Data Transfer shall be provided on an "AS IS" basis, provided that CHUGAI shall provide all such materials and information in the English language.

3.5.2 CHUGAI shall not provide the data of the on-going research relating to the Chugai Compound or the Product conducted in accordance with the On-going Agreements and the [***] to any third party without the prior written consent of VERASTEM, which consent shall not be unreasonably withheld.

3.6 Manufacturing and Supply

3.6.1 Subject to CHUGAI's performance of its obligations under Articles 3.3 and 3.4, as between the Parties, VERASTEM shall have the sole responsibility, at its sole expense, for CMC development and supply of the Chugai Compound and Product, including clinical and commercial supply (subject to the provisions detailed in Appendix IV if CHUGAI exercises its Opt-Back Right).

3.6.2 Notwithstanding Article 3.6.1, CHUGAI, directly or through its designee, shall supply VERASTEM with, and VERASTEM shall make a one-time purchase from CHUGAI of, the materials listed on Appendix VI ("**Inventory**") within the timelines set forth on Appendix VI. CHUGAI shall deliver the Inventory to VERASTEM at EXW CHUGAI's facilities in Japan (INCOTERMS 2010). VERASTEM shall pay to CHUGAI [***] for the Inventory within [***]days after CHUGAI delivers the Inventory to VERASTEM.

3.6.3 As described in Appendix VI, as of the Effective Date, CHUGAI has in its possession [***] For the period of time between the Effective Date and [***] CHUGAI hereby grants to VERASTEM an option to purchase [***] for a price to be negotiated in good faith by the parties if and when VERASTEM exercises this option. During the [***], CHUGAI shall maintain

and/or effectively preserve, and shall not dispose of, [***].

3.7 Development Reports

No less frequently than [***], VERASTEM shall provide CHUGAI with written reports summarizing its, its Affiliates', and its sublicensees' development of Product, including a summary of the data, timelines and results of such development, and an overview of future development activities reasonably contemplated by VERASTEM, which reports shall be provided in English. Such reports shall be the Confidential Information of VERASTEM pursuant to Article 10. VERASTEM shall respond to CHUGAI's reasonable requests for additional information regarding significant development activities, as CHUGAI may request from time to time.

3.8 Sales Forecast

During the Royalty Term for any particular Product and for planning purposes only, VERASTEM shall provide to CHUGAI the following information by no later than [***] of each [***]: a non-binding sales forecast of such Product covering [***] and the following [***], which forecast shall be on a [***] basis for [***] and on an [***] basis for [***].

4. Joint Committee

4.1 Establishment of the Joint Committee

Within a reasonable period of time after the Effective Date, the Parties shall establish a Joint Committee ("**JC**") of four (4) committee members, consisting of two (2) representatives designated by each Party.

4.2 Duration, Scope of Authority and Responsibilities of the Joint Committee

The JC shall continue in existence until the earlier of (a) First Commercial Sale or (b) the Parties mutually agree in writing to disband. The JC shall (i) review and comment on the development plan, provided that in the event of any disagreement between the Parties, VERASTEM shall have the final decision-making authority, (ii) address and coordinate resolution of issues that may arise relating to the Technical Transfer, and (iii) address other issues and matters as the Parties may agree from time to time.

4.3 Meetings of the Joint Committee

The JC shall be organized [***] as agreed by the Parties and at such other times as deemed appropriate by the JC. A quorum of the JC shall exist whenever there is present at a meeting at least one representative appointed by each Party. The meetings of the JC shall

take place alternately in Needham, Massachusetts, Tokyo, Japan, or any other places, or the JC may be organized by means of telephone or video conferencing, as are mutually agreed. For the avoidance of doubt, the meetings of the JC shall be conducted in English, and any materials provided to the JC in connection with such discussions shall be provided in English.

5. OPT-BACK RIGHT [***]

5.1 Opt-Back Rights

5.1.1 Subject to the terms and conditions of this Agreement, CHUGAI shall have an opt-back right to develop and commercialize the Chugai Compound and/or Product in the Field in the European Union (the "**EU Opt-Back Right**") at any time from the Effective Date through the date VERASTEM submits an NDA to the FDA in the United States for the Product (the "**EU Opt-Back Trigger Date**").

5.1.2 Subject to the terms and conditions of this Agreement, CHUGAI shall have an opt-back right to develop and commercialize the Chugai Compound and/or Product in the Field in Japan and Taiwan (the "**Japan Opt-Back Right**" and together with the EU Opt-Back Right, the "**Opt-Back Rights**") at any time from the Effective Date through the date VERASTEM receives Marketing Authorization from the FDA in the United States for the Product (the "**Japan Opt-Back Trigger Date**").

5.1.3 No later than [***] days after the EU Opt-Back Trigger Date, CHUGAI may, by written notice to VERASTEM, in its sole discretion, elect to exercise the EU Opt-Back Right. If CHUGAI exercises the EU Opt-Back Right, the parties shall have [***] days to negotiate in good faith and enter into a written agreement outlining the terms and conditions that govern the EU Opt-Back Right, which agreement shall include all of the terms identified in Appendix IV.

5.1.4 No later than [***] days after the Japan Opt-Back Trigger Date, CHUGAI may, by written notice to VERASTEM, in its sole discretion, elect to exercise the Japan Opt-Back Right. If CHUGAI exercises the Japan Opt-Back Right, the parties shall have [***] days to negotiate in good faith and enter into a written agreement outlining the terms and conditions that govern the Japan Opt-Back Right, which agreement shall include all of the terms identified in Appendix IV.

5.1.5 For the avoidance of doubt, the EU Opt-Back Right and the Japan Opt-Back Right may be exercised independently by CHUGAI.

5.1.6 To enable CHUGAI to make a determination regarding its Opt-Back Rights, upon CHUGAI's request, VERASTEM shall provide CHUGAI with all information and data related to the Chugai Compound and/or Product that are Controlled by VERASTEM, including data (including raw data) and results generated under any pivotal study of Product and data and

results related to the concomitant drug used in combination with the Product in such pivotal study.

5.2 [***]

6. CONSIDERATION

6.1 Consideration.

As consideration for the exclusive license to the Licensed Patents and Licensed Know-How set forth in Article 2.1, VERASTEM shall pay to CHUGAI the amounts set forth in this Article 6.

6.2 Up-front Fee

VERASTEM shall pay a one-time, non-refundable and non-creditable up-front fee of Three Million (3,000,000) USD (the **"Up-front Fee"**). Upon execution of this Agreement, CHUGAI shall provide an original invoice for the Up-front Fee to VERASTEM, and VERASTEM shall pay the Up-front Fee within forty-five (45) days from the Effective Date.

6.3 Royalty Payment

6.3.1 Royalties

VERASTEM shall, on a Product-by-Product basis during the applicable Royalty Term, pay to CHUGAI royalties of [***] of Net Sales of each Product sold in the Territory; provided, however, that (a) if there are no Valid Claims in a country of sale in the Territory or (b) a pharmaceutical product containing the same active pharmaceutical ingredient as the Product (i.e., a generic product) is being sold by a third party in a country of sale in the Territory, said royalty for such country shall be thereafter reduced to [***] of Net Sales of the relevant Product sold in such country.

6.3.2 Cumulative Royalties.

The obligation to pay royalties under this Agreement shall be imposed only once with respect to a single unit of a Product regardless of how many Valid Claims included within the Licensed Patents would, but for this Agreement, be infringed by the manufacture or commercialization of such Product.

6.3.3 Third Party Payments. If VERASTEM is required to make payments to any third party in consideration for a license under, assignment of, or obligation not to assert a Patent Controlled by such third party that, in the reasonable opinion of VERASTEM's patent counsel,

is necessary to make, have made, use, develop, sell, offer for sale or import the Chugai Compound or Product without infringing the Patent of such third party (such payments, "**Third Party Payments**"), VERASTEM may credit against any royalty payments due to CHUGAI under Article 6.3.1 up to [***] of such Third Party Payments; *provided* that, in no event will royalties payable to CHUGAI be reduced by more than [***] as a result of such credit. VERASTEM agrees to first consult with CHUGAI prior to obtaining a license under, assignment of, or obligation not to assert such a third party Patent.

6.3.4 Payment of Royalties

Royalties shall be paid by VERASTEM to CHUGAI [***], within [***] days after the receipt of an invoice issued by CHUGAI with regards to [***], which shall be issued within [***] days after its receipt of an actual sales report from VERASTEM in accordance with Article 6.3.5.

6.3.5 Sales Report & Currency Conversion

Within [***] days after the end of each [***], commencing with the [***] during which the First Commercial Sale of the first Product is made anywhere in the Territory, VERASTEM shall send to CHUGAI a [***] sales report which shall include the royalty amount, the Net Sales amount and the quantity and unit price of the Product sold in the just ended [***] in each country in the Territory.

Royalties shall be first calculated in the currency of sale and, if Net Sales are not first made in USD, they shall be converted into USD, by applying the cross interbank exchange rate between the two currencies as published on [***] for which the sales are made for the purpose of determining the amount of royalties.

6.4 Payment Account

Payments shall be made to the bank account indicated by CHUGAI. The Up-front Fee and all royalties shall be paid in USD. All costs associated with payments to CHUGAI, including the costs of wire transfers, shall be deducted from the payments to CHUGAI.

6.5 Late Payments

VERASTEM shall pay CHUGAI interest on any payment under this Agreement that is not paid on or before the due date at the rate of [***] calculated from the due date to the date paid in full.

6.6 Withholding Tax

If provision is made in law or regulation of any country for withholding taxes with respect to any amounts payable under this Agreement to CHUGAI, then VERASTEM shall promptly pay such withholding taxes on behalf of CHUGAI to the proper Governmental Authority, and shall promptly furnish CHUGAI with evidence of payment. VERASTEM shall be entitled to deduct any such withholding taxes from such payments due to CHUGAI or be promptly reimbursed by CHUGAI if such payments due to CHUGAI have been made without such deduction. Each Party agrees to assist the other Party in claiming exemption from such deductions or withholdings under double taxation or similar agreement or treaty from time to time in force and in minimizing the amount required to be so withheld or deducted.

6.7 Audit

VERASTEM shall maintain, and shall cause its Affiliates and sublicensees to maintain, full, complete and accurate books and records containing all particulars that may be necessary for the purpose of calculating all royalties due under this Agreement. Such books and records shall be kept at their principal place of business.

VERASTEM and its Affiliates shall permit CHUGAI, by independent qualified public accountants selected by CHUGAI and reasonably acceptable to VERASTEM, to examine VERASTEM's books and records at any reasonable time during business hours, but not later than [***] following the rendering of any corresponding reports, accountings and payments pursuant to this Agreement. The foregoing right of examination may be exercised [***]. Such accountants may be required by VERASTEM and its Affiliates to enter into reasonably acceptable confidentiality agreements, and in no event shall such accountants disclose to CHUGAI any information other than such as relates to the accuracy of reports and payments made or due hereunder. The opinion of said independent accountants regarding such reports, accountings and payments shall be binding on the Parties.

VERASTEM shall request its sublicensees to allow VERASTEM to examine their books and records under similar conditions as in this Agreement and shall make the results of such audits available to CHUGAI to the extent reasonably necessary to allow CHUGAI to confirm the accuracy of VERASTEM's payments to CHUGAI.

CHUGAI shall bear the cost of any such examination; provided that if the audit shows an underpayment of royalties due to CHUGAI of more than [***] of the amount due for the applicable accounting period, then [***].

VERASTEM or CHUGAI, as the case may be, shall promptly pay to the other Party the amount of the underpayment or overpayment revealed by an audit.

7 PATENTS

7.1 PATENT PROSECUTION

7.1.1 Prosecution and Maintenance of Licensed Patents and Patents Covering CHUGAI Improvements

CHUGAI shall control [***] the filing, prosecution and maintenance of the Licensed Patents and Patents covering CHUGAI Improvements in the Territory, including, but not limited to, filing applications for, and obtaining, patent term extensions, supplemental protection certificates and the like in each country where it is appropriate to do so in CHUGAI's reasonable judgment. If VERASTEM and/or CHUGAI wish to apply for extension of the term of any Licensed Patents and Patents covering CHUGAI Improvements available under any Applicable Law of any country in the Territory, the Parties shall cooperate in such application (e.g., by providing the other Party with all information and documents in each Party's possession which may be necessary or desirable for such application).

7.1.2 Prosecution and Maintenance of Patents Covering VERASTEM Improvements

VERASTEM shall control [***] the filing, prosecution and maintenance of any Patents covering VERASTEM Improvements in the Territory, including, but not limited to, filing applications for, and obtaining, patent term extensions, supplemental protection certificates and the like in each country where it is appropriate to do so in VERASTEM's reasonable judgment. If VERASTEM and/or CHUGAI wish to apply for extension of the term of any Patents covering VERASTEM Improvements available under any Applicable Law of any country in the Territory, the Parties shall cooperate in such application (e.g., by providing the other Party with all information and documents in each Party's possession which may be necessary or desirable for such application).

7.1.3 Prosecution and Maintenance of Patents Covering Joint Improvements

With respect to any Patents covering Joint Improvements, the Party from whom the majority of the data underlying such patent application arises (hereinafter the "**Controlling Party**") shall control [***] the filing, prosecution and maintenance of any Patents covering Joint Improvements in the Territory, including, but not limited to, filing applications for, and obtaining, patent term extensions, supplemental protection certificates and the like in each country where it is appropriate to do so in the Controlling Party's reasonable judgment; provided, however, the Controlling Party shall make any material decision (e.g., decision resulting in a limitation of the scope of the claims, abandonment of one or more such patent or patent application in any country in the Territory, and the like) to be made in connection with the filing, prosecution and maintenance of such patent or patent application after consultation with the other Party. If VERASTEM and/or CHUGAI wish to apply for extension

of the term of any Patents covering Joint Improvements available under any Applicable Law of any country in the Territory, the Parties shall cooperate in such application (e.g. by providing the other Party with all information and documents in each Party's possession which may be necessary or desirable for such application).

7.2 PATENT INFRINGEMENT

7.2.1 Notice of Patent Infringement

Each Party shall promptly notify the other Party in writing if it reasonably believes that any Licensed Patent or any Patent covering an Improvement is being, or has been, infringed or misappropriated by a third party in any country.

7.2.2 Prosecution of Patent Infringement

If such infringement or misappropriation relates to the Product, VERASTEM shall have the first right, but not the obligation, to initiate or pursue legal action in the Territory. In the case VERASTEM engages in such action, VERASTEM [***] with respect to any such action and may first retain all related recoveries, subject to the below. VERASTEM shall notify CHUGAI of such action and keep CHUGAI informed with respect to the disposition of any action taken in connection therewith and shall reasonably consider CHUGAI's comments on any such action. Any damages or monetary recovery from such action, including any settlement, shall be allocated first to the reimbursement of any costs and expenses incurred by VERASTEM. Any remaining recoveries shall be retained by VERASTEM, and shall be [***]. In the event VERASTEM does not bring action in the Territory within [***] days after notification above, then CHUGAI shall have the right to initiate an action against any third party engaged in such infringement or misappropriation in the Territory. In such case, CHUGAI [***] with respect to any such prosecution and shall retain all related recoveries. Each Party shall provide the other Party with reasonable cooperation and assistance.

8 TRADEMARKS

8.1 VERASTEM shall identify and select one or more Trademarks to be used for the Products in the Territory. In this Agreement, the Trademark(s) that VERASTEM has decided to associate to the relevant Product shall be referred to as "**Product Trademarks**". VERASTEM shall own all of the Product Trademarks, and shall be, at its cost, responsible for procurement, registration, maintenance and enforcement of any of the Product Trademarks.

8.2 Infringement

VERASTEM shall have the sole right, but not the obligation, to initiate proceedings against, or defend claims made by, any person in connection with any of the Product Trademarks. The commencement, strategies, termination, settlement or defense of any action relating to the validity of the Product Trademarks shall be decided by VERASTEM. Any such proceedings shall be at the expense of VERASTEM. Any damages or costs recovered by VERASTEM as a result of any such proceedings or claims shall be at the sole benefit and account of VERASTEM.

9 TERM AND TERMINATION

9.1 Term

This Agreement shall enter in force as of the Effective Date and remain in effect on a Product-by-Product and country-by-country basis in the Territory until expiry of the Royalty Term in such country, unless earlier terminated in accordance with this Article 9 or as otherwise agreed in writing by the Parties.

9.2 Consequences of the Expiration of the Royalty Term

Upon expiration of the Royalty Term in each country, VERASTEM shall have a perpetual, non-exclusive, fully paid-up, royalty-free license under the Licensed Patents and Licensed Know-How to develop, have developed, use, have used sell, have sold, offer for sale, have offered for sale, import and have imported such Product in the Field in such country.

9.3 Early Termination

9.3.1 Termination by CHUGAI for Challenge against Licensed Patents

[***] CHUGAI may terminate this Agreement in its entirety at any time upon written notice to VERASTEM, if VERASTEM, its Affiliates or any sublicensee, individually or in association with a third party, commences a legal action challenging the validity of any of the Licensed Patents (including the Patents covering a Chugai Improvement, if any). [***]

9.3.2 Termination by VERASTEM

VERASTEM shall have the right to terminate this Agreement in its entirety at any time and for any reason and with no further payments to CHUGAI (aside from any payment obligations which have accrued by the termination date), by giving CHUGAI one hundred eighty (180) days prior written notice.

9.3.3 Termination by Either Party

9.3.3.1 For Material Breach

Upon a material breach of this Agreement by the other Party, the non-breaching Party may, at its option, terminate this Agreement in its entirety by giving written notice to the breaching Party if such breach remains substantially uncorrected for a period of one hundred and twenty (120) days after such breach is brought to the breaching Party's attention in reasonable detail in writing.

9.3.3.2 For Bankruptcy

[***], either Party may terminate this Agreement in its entirety at any time upon notice to the other Party if the other Party:

(a) files an application for declaration of bankruptcy, commencement of procedures for bankruptcy, civil rehabilitation, corporate reorganization or corporate arrangement, or similar application or filing or resolves its dissolution (other than as due to merger) at its board of directors meeting or any counterpart under Applicable Law; or

(b) is subject to a declaration of bankruptcy, a decision for the commencement of bankruptcy, civil rehabilitation or corporate reorganization or an order for the commencement of corporate arrangement or special liquidation or any counterpart under Applicable Law, provided that any involuntary petition against the other Party has not been stayed or dismissed within [***] days of its filing.

9.4 Consequences of Early Termination

9.4.1 Cessation of Activities Upon Any Early Termination

In the event this Agreement is terminated early for any reason in its entirety,

(i) all of VERASTEM's rights to the Licensed Patents, Licensed Know-How, and CHUGAI Improvements shall cease in the Territory, and

(ii) VERASTEM shall cease all the activities licensed under this Agreement in the Territory.

9.4.2 Early Termination by CHUGAI or by VERASTEM for Convenience

In the event this Agreement is terminated in its entirety (a) by CHUGAI pursuant to Article 9.3.1 *(Termination by CHUGAI for Challenge against Licensed Patents)*, Article 9.3.3.1 *(For Material Breach)* or 9.3.3.2 *(For Bankruptcy)* or (b) by VERASTEM pursuant to Article 9.3.2 *(Termination by VERASTEM)*, in addition to 9.4.1 above, VERASTEM shall,

(i) [***], transfer to CHUGAI all data and know-how necessary or useful to exploit the Chugai Compound or the Product, including without limitation, data obtained through clinical trials and information contained in regulatory submissions;

(ii) grant CHUGAI a perpetual, royalty-free license, with the right to sublicense, to use

or practice the VERASTEM Improvements in the Field in the Territory;

(iii) [***], transfer and assign to CHUGAI any Product Trademarks in the Territory;

(iv) [***], assign to CHUGAI or a third party designated by CHUGAI all INDs, NDAs, and Marketing Authorizations for the Product in the Territory;

(v) in response to a request from CHUGAI [***], transfer to CHUGAI or a third party designated by CHUGAI all inventory of Chugai Compound and/or the Product (including all final product, bulk drug substance, intermediates, works-in-process, formulation materials, reference standards, drug product clinical reserve samples, packaged retention samples, and the like) then in possession or control of VERASTEM or its Affiliates; and

(vi) in response to a request from CHUGAI, transfer to a third party designated by CHUGAI written materials, technical information and know-how relating to the production or manufacture of the Chugai Compound and/or the Product for the purpose of enabling such third party to produce or manufacture the Chugai Compound and/or the Product for Development and Commercialization by CHUGAI, within a reasonable period [***].

9.4.3 Early Termination for CHUGAI's Material Breach or Bankruptcy

In the event this Agreement is terminated in its entirety by VERASTEM pursuant to Article 9.3.3.1 *(For Material Breach)*, in addition to 9.4.1 above, VERASTEM shall,

(i) grant CHUGAI a perpetual license, with the right to sublicense, all data and know-how necessary or useful to exploit the Chugai Compound or the Product, including without limitation, data obtained through clinical trials and information contained in regulatory submissions;

(ii) grant CHUGAI a license, with the right to sublicense, to use or practice the VERASTEM Improvements in the Field in the Territory;

(iii) grant CHUGAI a perpetual license, with the right to sublicense, any Product Trademarks in the Territory;

(iv) [***], assign to CHUGAI or a third party designated by CHUGAI all INDs, NDAs, and Marketing Authorizations for the Product in the Territory;

(v) at VERASTEM's option, [***] transfer to CHUGAI or a third party designated by CHUGAI all inventory of Chugai Compound and/or the Product (including all final product, bulk drug substance, intermediates, works-in-process, formulation materials, reference standards, drug product clinical reserve samples, packaged retention samples, and the like) then in possession or control of VERASTEM or its Affiliates; and

(vi) in response to a request from CHUGAI, transfer to a third party designated by CHUGAI written materials, technical information and know-how relating to the production or manufacture of the Chugai Compound and/or the Product for the purpose of enabling such

third party to produce or manufacture the Chugai Compound and/or the Product for Development and Commercialization by CHUGAI, within a reasonable period [***].

The consideration of the licenses under (i) to (iii) above in this Article 9.4.3 shall be reasonable and separately discussed and agreed between the Parties.

9.5 Survival

The foregoing notwithstanding, any provisions which by their specific language or context are intended to or can be fairly read to survive termination of this Agreement, shall survive any termination of this Agreement for any reason or the expiration of the term set forth in Article 9.1.

Without prejudice to the generality of the foregoing, the Parties acknowledge that Articles 6.7 (Audit), 9.4 (Consequences of Early Termination), 10 (Confidentiality), 13 (Indemnification), 14 (Limitation of Liability), 16 (Governing Law and Dispute Resolution) and 17 (Miscellaneous) shall survive the termination of this Agreement and the expiration of the term set forth in Article 9.1.

10 CONFIDENTIALITY

10.1 In this Agreement, "**Confidential Information**" means, subject to Article 10.2, (a) any data, know-how and other information, whether technical or non-technical, disclosed by one Party (hereinafter the "**Disclosing Party**"), or otherwise became known, to the other Party (hereinafter the "**Receiving Party**") hereunder relating to the subject matter of this Agreement, regardless of form or manner of disclosure, i.e., whether disclosed in writing, in electric file or format or in other tangible manner, or orally, visually or in other intangible manner and (b) any information that was disclosed by or on behalf of a Party or any of its Affiliates to the other Party or any of its Affiliates prior to the Effective Date pursuant to the confidentiality agreement between VERASTEM and CHUGAI [***]. The existence and terms of this Agreement shall be deemed to be the Confidential Information of both Parties.

10.2 Notwithstanding the foregoing, Confidential Information shall not include the information, which:

(a) was at the time of disclosure by the Disclosing Party hereunder publicly known or available;

(b) after disclosure by the Disclosing Party hereunder, became publicly known or available by publication or otherwise, other than by an unauthorized act or omission by the Receiving Party;

(c) was in the possession of the Receiving Party without confidentiality restriction at the

time of the disclosure by the Disclosing Party hereunder, as documented by the Receiving Party's business records;
(d) was lawfully received from any third party having the lawful right to make such disclosure, without obligation of confidentiality; or
(e) was independently developed by the Receiving Party's directors, officers or employees without use of or reference to the Confidential Information, as demonstrated by records contemporaneous with such development.

10.3 The Receiving Party recognizes the proprietary and confidential nature of the Disclosing Party's Confidential Information and agrees that no right, title, ownership, license, or interest of any character in the Disclosing Party's Confidential Information other than as specifically granted herein, is conveyed or transferred to the Receiving Party. The Receiving Party further agrees to maintain the Disclosing Party's Confidential Information in strict confidence and not to disclose or divulge the Disclosing Party's Confidential Information, in whole or in part, to any third party, and not use the Disclosing Party's Confidential Information for any purpose other than pursuing this Agreement. The Receiving Party shall limit disclosure of the Disclosing Party's Confidential Information to its employees, directors, agents, contractors, consultants and advisors who have a need to know the Disclosing Party's Confidential Information for the purpose of this Agreement, provided that, the Receiving Party shall undertake procedures to ensure that each of its employees, directors, agents, contractors, consultants and advisors to whom the Disclosing Party's Confidential Information is disclosed understands (i) the confidential nature of the Disclosing Party's Confidential Information and (ii) that he or she is under an obligation to hold the Disclosing Party's Confidential Information disclosed strictly confidential.

10.4 Notwithstanding the foregoing, VERASTEM may disclose CHUGAI's Confidential Information to its Affiliates, and then existing or prospective sublicensees and subcontractors, including contract manufacturers, and CHUGAI may disclose VERASTEM's Confidential Information to its Affiliates, any co-owners of Licensed Patents and third parties who are parties to any of the On-going Agreements, [***], and the MTA Study Agreement, and then existing or prospective sublicensees and subcontractors in the event [***]; provided that the Party disclosing the other Party's Confidential Information shall assume full responsibility for any failure by such third parties to treat such Confidential Information as required under this Article 10. Notwithstanding the foregoing, CHUGAI may only disclose VERASTEM's Confidential Information to third parties who are parties to any of the On-going Agreements, the [***] and the MTA Study Agreement (i) while such agreements are in full force and effect

(and not otherwise expired or terminated) and (ii) CHUGAI remains responsible for supporting the studies pursuant to the such agreements (i.e., the obligation to support the studies and/or applicable agreement has not been transferred from CHUGAI to VERASTEM). In addition, VERASTEM may disclose CHUGAI's Confidential Information (including this Agreement and the terms herein) to the extent such disclosure is reasonably necessary to actual or bona fide potential investors, acquirors, lenders and other financial or commercial partners solely for the purpose of evaluating or carrying out an actual or potential investment, acquisition, debt transaction or collaboration; provided that in each such case on the condition that such persons are bound by written, binding obligations of confidentiality and non-use consistent with this Agreement

10.5 In the event that the Disclosing Party's Confidential Information is legally required to be disclosed to any Governmental Authorities or courts or stock exchanges having the legal authority to require such disclosure pursuant to Applicable Law, the Receiving Party shall provide the Disclosing Party with prompt notice so that the Disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement, and the Receiving Party shall cooperate with the Disclosing Party in any effort the Disclosing Party may undertake. In the event that such protective order or remedy is not obtained, or that the Disclosing Party waives compliance with the provisions of this Agreement, the Receiving Party shall furnish only that portion of the Disclosing Party's Confidential Information which is legally required and shall exercise its Commercially Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded and disclosure is limited to the extent possible.

11 PUBLICATIONS

11.1 Publication by CHUGAI

As of the Effective Date and thereafter and except as required by Applicable Laws, CHUGAI shall not publish any Data or results relating to the Chugai Compound or the Product without VERASTEM's prior written approval. Prior to submission of such Data or results for publication or presentation, CHUGAI shall provide at least [***] days or, in exceptional circumstances, [***] days prior to the intended submission, a copy of such proposed publication or presentation to VERASTEM, who shall have [***] days to inform CHUGAI whether it approves or does not approve the publication or presentation and to provide its comments, which approval shall not be unreasonably withheld. If such publication or presentation contains patentable matter which requires protection, the Parties agree to delay such publication or presentation for an additional [***] days so that the appropriate Party may

file for patent protection or to delete such patentable matter from such proposed publication or presentation.

11.2 Publication by VERASTEM

As of the Effective Date and thereafter, VERASTEM shall have the right to publish any Data or results relating to the development of the Chugai Compound or the Product including, but not limited to, any Data or results from preclinical studies undertaken by academic institutions at the request of VERASTEM or Data or results from clinical trials, including pursuant to On-going Agreement 2. Furthermore, independent investigators, hospitals and academic institutions that are entrusted by VERASTEM with the conduct of preclinical studies or clinical trials of the Chugai Compound or the Product are understood to operate in an academic environment and shall be allowed to release Data and information regarding such preclinical or clinical trials in a manner consistent with academic standards. Upon each publication pursuant to this Article 11.2, VERASTEM shall use reasonable efforts to promptly notify CHUGAI of such publication with the contents thereof.

11.3 Publication by the Investigator

Prior to submission of the Data or results relating to the Chugai Compound or the Product for publication or presentation by the investigator who initiated study(ies) under and parties to any of the On-going Agreements, the MTA Study Agreement, or the [***], CHUGAI shall provide at least [***] days prior to the intended submission, a copy of such proposed publication or presentation to VERASTEM, who shall have [***] days to inform CHUGAI whether it contains patentable matter which requires protection. If such publication or presentation contains such patentable matter, CHUGAI will have the investigator delay such publication or presentation for an additional [***] days so that the appropriate Party may file for patent protection or to delete such patentable matter from such proposed publication or presentation. The Parties agree that the terms and conditions of On-going Agreement 2 shall govern any publications or presentations relating to the research being conducted pursuant On-going Agreement 2.

11.4 Press Release

Each Party shall issue a press release with mutually agreed content at an agreed date or dates promptly following the execution of this Agreement. Subject to Article 11.5, the Parties shall jointly discuss and agree in writing on any statement to the public regarding this Agreement or any of its terms and when either Party elects to make any such statement, it shall give the other Party at least [***] Business Days to review and comment on such

statement.

11.5 Required Disclosures

Each Party acknowledges that the other Party may be legally required to make public disclosures (including in filings with Governmental Authorities) of certain terms of or material developments or material information generated under this Agreement and agrees
that each Party may make such disclosures as required by Applicable Laws, provided that the Party seeking such disclosure (i) receives advice from counsel that it is legally required to make such public disclosure and (ii) if practicable and permitted by Applicable Laws, first provides the other Party a copy of the proposed disclosure, and reasonably considers any comments thereto provided by the other Party within [***] Business Days after the receipt of such proposed disclosure.

A Party may disclose this Agreement in securities filings with the Securities and Exchange Commission or equivalent foreign agency to the extent required by Applicable Laws. In such event, the Party seeking such disclosure shall prepare a draft confidential treatment request and proposed redacted version of this Agreement to request confidential treatment for this Agreement, and the other Party agrees to promptly (and in any event, no more than [***] Business Days after receipt of such confidential treatment request and proposed redactions) give its input in a reasonable manner in order to allow the Party seeking disclosure to file its request within the time lines prescribed by Applicable Laws. The Party seeking such disclosure shall reasonably consider any comments thereto provided by the other Party within such [***] Business Day period.

12 REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Mutual Representations and Warranties

Each Party hereby represents and warrants with respect to itself as follows:

(a) As of the Effective Date, it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement.

(b) As of the Effective Date, (i) it has the full right and authority to enter into this Agreement and perform its obligations hereunder, (ii) it is not aware of any impediment that would prevent it from entering into this Agreement or that would inhibit its ability to perform its obligations under this Agreement, (iii) it has taken all necessary corporate actions on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder, and (iv) this Agreement has been duly executed and delivered

on behalf of such Party, and constitutes a legal, valid and binding obligation of such Party that is enforceable against it in accordance with its terms.

(c) As of the Effective Date, (i) it has not entered into any agreement with any third party that is in conflict with the rights granted to the other Party under this Agreement, and has not taken any action that would in any way prevent it from granting the rights granted to the other Party under this Agreement, or that would otherwise materially conflict with or materially adversely affect the rights granted to the other Party under this Agreement, and (ii) the performance and execution of this Agreement will not result in a breach of any other contract to which it is a party.

(d) As of the Effective Date, it is not aware of any action, suit, inquiry or investigation instituted by any third party that questions or threatens the validity of this Agreement.

(e) Such Party has, as of the Effective Date, the necessary qualified personnel, equipment, know-how and other means to perform its duties under this Agreement in a timely manner in accordance with the terms hereof.

(f) As of the Effective Date, all necessary consents, approvals and authorizations of all Governmental Authorities and other persons required to be obtained by such Party in connection with the execution and delivery of this Agreement have been obtained.

12.2 CHUGAI Representations and Warranties

CHUGAI hereby represents and warrants as follows:

(a) As of the Effective Date, CHUGAI owns or otherwise Controls the Licensed Patents and Licensed Know-How, has the right to grant the license under Article 2.1 to VERASTEM, and it has not granted any license or other right under the Licensed Patents and Licensed Know-How that is inconsistent with such license.

(b) As of the Effective Date, to the extent CHUGAI is required to pay a third party financial consideration for the right to Control any Licensed Patent or Licensed Know-How, VERASTEM shall not have any liability to pay or any other responsibility with respect to such financial consideration.

(c) To the best of its knowledge as of the Effective Date, Relevant Data and Information provided by CHUGAI or made available to VERASTEM in the virtual data room are true and accurate.

(d) To the best of its knowledge as of the Effective Date, Relevant Data and Information were generated from either (i) studies conducted following Good Laboratory Practice regulations and guidelines (e.g. 21 CFR Part 58.1. Good Laboratory Practice for nonclinical Laboratory Studies), if such studies are required to follow such Good Laboratory Practice regulations and guidelines or (ii) studies conducted following CHUGAI's internal R&D

standards, if such studies are not required to follow Good Laboratory Practice regulations and guidelines.

(e) As of the Effective Date of this Agreement, CHUGAI is not aware of or has not received any claim or threat from any third party regarding infringement or misappropriation of rights of any third party by exploiting (i) the Licensed Patents or Licensed Know-How to be licensed under Article 2.1 or (ii) the Chugai Compound or the Product.

(f) As of the Effective Date of this Agreement, there is no litigation pending or threatened (in writing) against CHUGAI with respect to (i) all or any portion of the Licensed Patents or Licensed Know-How to be licensed under Article 2.1 or (ii) the Chugai Compound or the Product.

(g) To the best of its knowledge as of the Effective Date, CHUGAI has taken reasonable measures to protect the confidentiality of any Confidential Information in the Licensed Know-How.

(h) (i) Appendix I(A) attached hereto sets forth a true and correct list of all Licensed Patents existing as of the Effective Date that cover the Chugai Compound or Product in the Territory; (ii) to the actual knowledge of CHUGAI as of the Effective Date, such Licensed Patents that are issued as of the Effective Date are valid and enforceable, and are being diligently prosecuted in good faith in the respective patent offices in accordance with Applicable Laws; (iii) to the actual knowledge of CHUGAI as of the Effective Date, except for (x) [***] and any and all patents and patent applications issuing therefrom or claiming priority thereto worldwide; and (y) [***] and any and all patents and patent applications issuing therefrom or claiming priority thereto worldwide, no material prior art or other facts are likely to render any claims in the Licensed Patents unpatentable or unenforceable; and (iv) all renewal and maintenance fees due as of the Effective Date with respect to the prosecution and maintenance of the Licensed Patents have been paid.

(i) As of the Effective Date, each person who has or has had any rights in or to any Licensed Patents has assigned and executed an agreement assigning its entire right, title and interest in and to such Licensed Patents to CHUGAI, provided that no such assignment is required with respect to (x) [***] and any and all patents and patent applications issuing therefrom or claiming priority thereto worldwide with respect to the ownership interest of [***], and (y) [***], and any and all patents and patent applications issuing therefrom or claiming priority thereto worldwide with respect to the ownership interest of [***].

(j) To the best of its knowledge as of the Effective Date, [***] has not used any proprietary process or technology patented by [***] to manufacture the CHUGAI Compound or Product, as applicable.

12.3 VERASTEM Representations and Warranties

VERASTEM hereby represents and warrants as follows:

(a) The license to VERASTEM under this Agreement is not reportable under the Hart Scott Rodino Antitrust Improvements Act.

(b) [***]

12.4 No Other Representations and Warranties

EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE FOREGOING REPRESENTATIONS AND WARRANTIES ARE IN LIEU OF, AND EACH PARTY EXPRESSLY DISCLAIMS, ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF NON-INFRINGEMENT, VALIDITY OF PATENTS, DESIGN, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

12.5 Compliance with Anti-Corruption Laws

(a) Notwithstanding anything to the contrary in this Agreement, VERASTEM agrees that:

(i) it shall not, in the performance of this Agreement, perform any actions, or permit its directors, officers, employees, agents, consignees, Affiliates, sublicensees or subcontractors to perform any actions, that are prohibited by local and other anti-corruption laws (including the provisions of the United States Foreign Corrupt Practices Act, collectively "**Anti-Corruption Laws**") that may be applicable to one or both Parties; and

(ii) it shall not, in the performance of this Agreement, directly or indirectly, make any payment, or offer or transfer anything of value, or agree or promise to make any payment or offer or transfer anything of value, to a government official or government employee, to any political party or any candidate for political office or to any other third party with the purpose of influencing decisions related to either Party or its business in a manner that would violate Anti-Corruption Laws.

(b) If VERASTEM discovers any fact that VERASTEM is in breach of this Article 12.5, VERASTEM shall promptly notify CHUGAI thereof in writing. If VERASTEM has breached this Article 12.5 or CHUGAI reasonably believes that VERASTEM has breached this Article 12.5, then it shall be a material breach of this Agreement pursuant to which CHUGAI may terminate, subject to the terms of Article 9.3.3.1. If CHUGAI terminates pursuant to Article 9.3.3.1, then, for the avoidance of doubt, CHUGAI shall not be prevented from seeking damages or any other remedies for the damages or losses arising out of or in connection

with VERASTEM's breach of this Article 12.5.

13 INDEMNIFICATION

13.1 Indemnification by VERASTEM

VERASTEM shall indemnify, hold harmless and defend CHUGAI and its Affiliates and their respective directors, officers, employees and agents (collectively the **"CHUGAI Indemnitees"**) from and against any and all claims, demands, law suits and/or causes of action (whether criminal or civil, in contract, tort or otherwise) brought by a third party ("**Claims**") for losses, damages, expenses, costs of defense (including without limitation reasonable attorneys' fees, court costs, witness fees, damages, judgments, fines and amounts paid in settlement) and any other amounts (collectively **"Losses"**) arising from (i) a breach by VERASTEM of its obligations under this Agreement; or (ii) the negligence or willful misconduct of VERASTEM, or its Affiliates, or any of their respective officers, employees or agents. Notwithstanding the foregoing, VERASTEM shall not be required to indemnify the CHUGAI Indemnitees for any Losses pursuant to this Article 13.1 to the extent that (i) such Losses arise from a breach by CHUGAI Indemnitees of any of CHUGAI's obligations under this Agreement, or (ii) such Losses arise or result from the negligence or willful misconduct of any CHUGAI Indemnitee.

13.2 Indemnification by CHUGAI

CHUGAI shall indemnify, hold harmless and defend VERASTEM and its Affiliates and their respective directors, officers, employees and agents (collectively the "**VERASTEM Indemnitees**") from and against any and all Claims resulting in Losses arising from (i) a breach by CHUGAI of its obligations under this Agreement; or (ii) the negligence or willful misconduct of any CHUGAI Indemnitee. Notwithstanding the foregoing, CHUGAI shall not be required to indemnify the VERASTEM Indemnitees for any Losses pursuant to this Article 13.2 to the extent that (i) such Losses arise from a breach by VERASTEM Indemnitees of any of VERASTEM's obligations under this Agreement, or (ii) such Losses arise or result from the negligence or willful misconduct of any VERASTEM Indemnitee.

13.3 Claims

In the event of a Claim against either Party or any person entitled to indemnifications under this Agreement (**"Indemnified Party"**), the Indemnified Party shall promptly notify the other Party having the indemnification obligation under this Agreement with respect to such Claim (such Party, the **"Indemnifying Party"**) in writing of the Claim with detailed information. The Indemnifying Party shall have the right to assume the defense of any such Claim for which it

is obligated to indemnify the Indemnified Party under this Article 13. The Indemnified Party shall cooperate with the Indemnifying Party (and its insurer) as the Indemnifying Party may reasonably request, and at the Indemnifying Party's sole cost and expense. The Indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any Claim that has been assumed by the Indemnifying Party. The Indemnifying Party shall have no obligation to indemnify an Indemnified Party in connection with any settlement made without the Indemnifying Party's prior written consent. If the Parties cannot agree as to the application of this Article 13 to any Claim, the Parties may conduct separate defenses of such Claim, with each Party retaining the right to claim indemnification from the other in accordance with this Article 13 upon resolution of the underlying Claim.

13.4 Insurance

Each Party shall use reasonable endeavors to be self-insured, or to procure and maintain adequate insurance coverage, at its own cost, by reputable insurance companies, covering its respective liabilities under this Agreement.

14 LIMITATION OF LIABILITY

NOTWITHSTANDING ANYTHING EXPRESS OR IMPLIED IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR LOSS OF PROFITS, SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS ARTICLE 14 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER ARTICLE 13, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF ITS OBLIGATIONS HEREUNDER RELATING TO CONFIDENTIALITY.

15 NOTICES

15.1 Save as otherwise provided in this Agreement, any notice, demand or other communication (**"Notice"**) to be given by either Party under, or in connection with, this Agreement shall be in writing and signed by, on behalf of, the Party giving it. Any Notice shall be served by delivering it by hand, mailing by certified or registered airmail (postage prepaid, return receipt required) or delivering by internationally recognized overseas courier to the address set out in Article 15.2 hereof and in each case marked for the attention of the relevant Party set out in Article 15.2 hereof (or as otherwise notified from time to time in accordance with the provisions of Article 15.1 hereof). Any Notice so served shall be deemed to have been duly given or made as follows:

(a) in the case of delivery by hand, when delivered;
(b) in the case of delivery by certified or registered airmail, seven (7) days after posting date; and
(c) in the case of delivery by internationally recognized overseas courier, on the first Business Day after dispatch,

15.2 The addressees and facsimile numbers of the Parties for the purpose of Article 15.1 hereof are as follows:

(a) VERASTEM

Address: Verastem, Inc.
117 Kendrick Street, Suite 500
Needham, Massachusetts 02494
United States

To the attention of: [***]
With a copy to: [***]

(b) CHUGAI

Address: Chugai Pharmaceutical Co., Ltd.
2-1-1 Nihonbashi-Muromachi
Chuo-ku, Tokyo 103-8324
Japan

To the attention of: [***]

16 GOVERNING LAW AND DISPUTE RESOLUTION

16.1 Governing Law

This Agreement, and all claims or causes of action (whether in contract, tort or statute) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement or the breach thereof, shall be governed by, and enforced in accordance with, the laws of the State of New York, United States without regard to principles of conflicts of laws.

16.2 Dispute Resolution

16.2.1 The Parties shall negotiate in good faith and use Commercially Reasonable Efforts to settle any and all disputes, controversies or differences arising out of, in relation to or in connection with this Agreement (a "**Dispute**"). Any Dispute shall be referred to senior management of each Party for attempted resolution. In the event senior management are unable to resolve such Dispute within [***] days of such Dispute being referred to then, then upon the written request of either Party to the other Party, the Dispute shall be subject to arbitration in accordance with Article 16.2.2.

16.2.2 In the event of a Dispute that cannot be resolved between the Parties or senior management as set forth in Article 16.2.1, such Dispute shall be referred to and finally and exclusively settled by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce. The tribunal of arbitration shall consist of three (3) arbitrators. Each Party shall select one (1) arbitrator, and the two (2) arbitrators so selected shall choose a third arbitrator who will act as the chairman of the tribunal. Such arbitration shall be held in London, England. The arbitration shall be conducted in English. Each Party shall bear its own costs and expenses relating to the arbitration unless the arbitrators determine that a Party has incurred unreasonable expenses due to vexatious or bad faith positions taken by the other Party, in which event the arbitrators may make an award of all or any portion of such expenses (including legal fees and expenses) so incurred. The award rendered by arbitration shall be final and binding upon both Parties and judgment upon the award may be entered into in any court having jurisdiction for enforcement thereof. The Parties shall treat all matters relating to the arbitration, including, but not limited to, the existence of the arbitration, all documents produced by one Party in the arbitration, or the award rendered by the arbitration as confidential. Notwithstanding the foregoing, (i) either Party may seek preliminary injunctive relief for a breach or a threatened breach of any term by the other Party in any court of competent jurisdiction and (ii) any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any Patent or Trademark right shall be submitted to a court of competent jurisdiction in the country in which such Patent or Trademark rights were granted or arose.

17 MISCELLANEOUS

17.1 Independent Contractor

Neither Party shall be deemed an agent nor representative of the other Party for any purpose, and this Agreement shall not create or establish an agency. Except as may be

specifically provided herein, neither Party shall have any right, power, or authority, nor shall they represent themselves as having authority to assume, create or incur any expense, liability or obligation, express or implied, on behalf of the other Party, or otherwise act as an agent for the other Party for any purpose. The Parties agree that the relationship of VERASTEM and CHUGAI established by this Agreement is that of an independent licensee and licensor. This Agreement does not, is not intended to, and shall not be construed, to establish a partnership or joint venture.

17.2 Third Parties

This Agreement is neither expressly nor impliedly made for the benefit of any entity other than the Parties, and neither any third party nor any Affiliate shall have any claim against either Party on the basis of this Agreement.

17.3 Further Actions

From time to time during the Term, either Party shall at the reasonable request of the other Party (i) deliver to the other Party records, data or other documents consistent with the provisions of this Agreement, (ii) execute and deliver, or cause to be delivered, all such assignments, consents, documents or further instruments of transfer or license, and (iii) take or cause to be taken all such other actions, as the other Party may reasonably deem necessary or desirable in order for such Party to obtain the full benefits of this Agreement and the transactions contemplated thereby, including without limitation registration of the license granted under this Agreement and amendment of claims of Licensed Patents, if necessary.

17.4 Entire Agreement

This Agreement, including all the Appendices, sets forth the entire understanding of the Parties with respect to the subject matter hereof and cancels and supersedes all previous communications, representations or understandings, and agreements, whether oral or written, between the Parties relating to the subject matter hereof.

17.5 Amendment

No modification or amendment of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized representative of each Party.

17.6 Assignment

Neither Party may assign, transfer, charge or otherwise encumber this Agreement

or any right, benefit or interest under it, without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either Party may assign this Agreement without the consent of the other Party to any Affiliate or to any successor in interest by way of merger, stock purchase, consolidation, acquisition or sale of all or substantially all of its assets to which this Agreement relates, provided that such successor agrees in writing to be bound by the terms of this Agreement as if it were the assigning Party. This Agreement shall be binding upon the successors and permitted assigns of the Parties.

17.7 Performance by Affiliates

Each Party acknowledges that obligations under this Agreement may be performed by Affiliates of VERASTEM and CHUGAI. Each Party guarantees and warrants any performance of this Agreement by its Affiliates. Wherever in this Agreement, the Parties delegate responsibility to their Affiliates, the Parties agree that such Affiliates may not make decisions inconsistent with this Agreement, amend the terms and conditions of this Agreement or act contrary to the terms and conditions of this Agreement in any way.

17.8 Force Majeure

Any prevention, delay or interruption of non-monetary performance (collectively **"Delay"**) by either Party under this Agreement shall not be a breach of this Agreement if and to the extent caused by occurrences beyond the reasonable control of the Party affected by the force majeure event, including but not limited to acts of God, embargoes, governmental restrictions, terrorism, general strike, fire, flood, earthquake, explosion, riots, wars or war like operations (declared or undeclared), civil disorder, rebellion or sabotage. The affected Party shall endeavor to notify the other Party to the extent possible upon the occurrence and end of the Delay. During the Delay, any time for performance hereunder by either Party shall be extended by the actual time of Delay.

17.9 Severability

If any of the provisions of this Agreement are held to be void or unenforceable by a court of competent jurisdiction, then such void or unenforceable provisions shall be replaced by valid and enforceable provisions which will achieve as far as possible the economic and business intentions of the Parties. However, the remainder of this Agreement shall remain in full force and effect, provided that the material interests of the Parties are not affected i.e., the Parties would presumably have concluded this Agreement without the unenforceable provisions.

17.10 Waiver

A waiver of any default, breach or non-compliance under this Agreement shall not be effective unless signed by the Party to be bound by the waiver. No waiver shall be inferred from or implied by any failure to act or delay in acting by a Party in respect of any default, breach, non-observance or by anything done or omitted to be done by the other Party. The waiver by a Party of any default, breach or non-compliance under this Agreement shall not operate as a waiver of that Party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-compliance.

17.11 No Right to Use Names

Except as otherwise provided herein, this Agreement provides no grant of right to a Party, express or implied, to use in any manner the corporate or business names or Trademarks of the other Party or its Affiliates.

17.12 Legal Compliance

Either Party shall observe any and all Applicable Laws in the conduct of its activities under this Agreement, and undertakes to make and fulfil any and all formalities in connection with all such activities which may be required under Applicable Laws. The Parties further agree to comply with the current applicable Good Laboratory Practices, Good Clinical Practices and Good Manufacturing Practices, and apply a high standard of ethics in the conduct of its activities under this Agreement.

17.13 Language

This Agreement has been drafted in the English language, and the English language shall control its interpretation. Any translation shall be for convenience purposes only and shall not be legally binding.

17.14 Interpretation

The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement shall not be construed in favor of or against either Party by reason of the extent to which such a Party participated in the drafting of this Agreement. The captions to the Articles hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the Articles of this Agreement.

17.15 Fees and Expenses

VERASTEM and CHUGAI shall each pay their respective legal and other fees and expenses associated with all aspects of the transaction contemplated hereunder, including the negotiation of this Agreement.

17.16 Counterparts

The Parties shall execute this Agreement in two (2) counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

VERASTEM, INC.:	**CHUGAI PHARMACEUTICAL CO., LTD.:**
By: /s/ Brian Stuglik	By: /s/ Tatsuro Kosaka
Name: Brian Stuglik, R.Ph.	Name: Tatsuro Kosaka
Title: CEO	Title: President and CEO
Date: January 7, 2020	Date: January 7, 2020

APPENDIX:

APPENDIX I(A): Licensed Patents
APPENDIX I(B): [***]
APPENDIX II: On-going Agreements
APPENDIX III: Technical Transfer
APPENDIX IV: Opt-back Rights
APPENDIX V: [***]
APPENDIX VI: Inventory
APPENDIX VII: [***]

APPENDIX I(A)
Licensed Patents

[***]

APPENDIX I(B)

[***]

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APPENDIX II
On-going Agreements

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APPENDIX IV
Opt-Back Rights

Any agreement governing an Opt-Back Right shall, among others, include the following terms and conditions:

1. License to CHUGAI

VERASTEM shall grant to CHUGAI an exclusive (including with regard to VERASTEM and its Affiliates) license under the Licensed Patents, Licensed Know-How, VERASTEM Improvements and VERASTEM's rights in Joint Improvements, to develop, have developed, register, have registered, make, have made, manufacture, have manufactured, use, have used, distribute, have distributed, market and have marketed (including the right to detail and promote), offer to sell, have offered to sell, sell, have sold, import and have imported the Chugai Compound and/or the Product in the Field in the EU (with respect to an exercise of the EU Opt-Back Right) and/or Japan and Taiwan (with respect to an exercise of the Japan Opt-Back Right).

VERASTEM shall transfer and CHUGAI may use all of the Data generated by VERASTEM during the Development and Commercialization of the Chugai Compound to fulfil the requirements of Applicable Laws or regulations or the request of a Governmental Authority in the territory applicable to the Opt-Back Right being exercised.

2. Consideration for License

As consideration for the license and transfer of Data referenced above in Section 1 of this Appendix IV, CHUGAI shall pay a % of [***] costs [***] VERASTEM has spent up to and including the effective date of the agreement governing the Opt-Back Right to generate the Data in the pre-clinical and clinical study of the Chugai Compound and/or Product, [***]

If VERASTEM generates additional Data after the effective date of the agreement governing the Opt-Back Right, including without limitation through a multi-national clinical trial that may or may not include the EU, Japan and Taiwan, and CHUGAI desires to reference that Data in its own territories, then CHUGAI shall pay a % of [***] costs [***] VERASTEM has spent to generate such Data in the pre-clinical and clinical study of the Chugai Compound and/or Product, [***]

CHUGAI shall not be obliged to pay any consideration (milestone or royalty) for the development or commercialization of the Chugai Compound and/or the Product in the territories where CHUGAI exercised the Opt-Back Right other than explicitly set forth in this APPENDIX IV.

Upon exercise of CHUGAI's Opt-back Right, VERASTEM's obligation for the royalty payment in accordance with Article 6.3 shall be based on the Net Sales of the Product in the Territory excluding the countries where CHUGAI exercised the Opt-Back Right.

3. Manufacturing and Supply

VERASTEM shall supply to CHUGAI and CHUGAI agrees to purchase from VERASTEM, any and all requirements of the Product for development and commercialization in the countries where CHUGAI exercised the Opt-Back Right. [***]

The supply price for the Product shall be VERASTEM's Fully-Burdened Manufacturing Cost plus [***]. The parties shall negotiate and enter into a separate Supply Agreement and Quality Agreement with respect to the supply of the Product.

4. Trademark

(i) CHUGAI has the right to choose, with respect to any Product to be commercialized by CHUGAI in countries where CHUGAI exercises the Opt-Back Right, whether to use a Product Trademark owned by VERASTEM or to use a different Trademark selected by CHUGAI.

(ii) In the event CHUGAI elects to use any Product Trademark owned by VERASTEM, VERASTEM shall grant a perpetual, royalty-free license, with the right to sublicense, to use or practice such Product Trademark in the countries where CHUGAI exercises the Opt-Back Right.

5 Governance

The Parties shall establish a Joint Committee to oversee and control the implementation of the agreement between the Parties with respect to the global Development and Commercialization of the Product. VERASTEM shall have the final decision-making authority in the Territory except with respect to the EU and Japan and Taiwan, as applicable. CHUGAI shall have the final decision-making authority in the EU and Japan and Taiwan, as applicable, unless the decision could adversely impact the Product outside the EU and Japan and Taiwan, in which case VERASTEM shall have the final decision-making authority.

APPENDIX V

[***]

APPENDIX VI

Inventory

[***]		**[***]**
[***]		[***]
[***]	[***]	[***]
[***]	[***]	[***]

[***]

[***]		**[***]**
[***]	[***]	[***]
[***]	[***]	[***]

APPENDIX VII

[***]

VERASTEM, INC.
Restricted Stock Unit Agreement
Granted under 2012 Incentive Plan

NOTICE OF GRANT

This Restricted Stock Unit Agreement (this "Agreement") is made as of the Agreement Date between Verastem, Inc. (the "Company"), a Delaware corporation, and the Participant.

I. Agreement Date

Date: [ ]

II. Participant Information

Participant: [ ]

Participant Address: [ ]

III. Grant Information

Grant Date: [ ]

Restricted Stock Units: [ ]

IV. Vesting

Up to [ ]% of the Participant's Restricted Stock Units shall vest on [ ], provided that the Participant continues to serve as an employee, consultant and/or director of the Company on each such vesting date.

This Agreement includes this Notice of Grant and the following General Terms and Conditions (attached as Exhibit A), which are expressly incorporated by reference in their entirety herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Agreement Date.

VERASTEM, INC.	PARTICIPANT
By:	
Name: [ ]	Name: [ ]
Title: [ ]	

Restricted Stock Unit Agreement

EXHIBIT A

GENERAL TERMS AND CONDITIONS

For valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Grant of RSUs; Condition of Grant. In consideration of services rendered to the Company by the Participant, the Company has granted to the Participant, subject to the terms and conditions set forth in this Agreement and in the Company's 2012 Incentive Plan (the "Plan"), an award of Restricted Stock Units (the "RSUs"), representing an award of the number of RSUs (the "Share Number") set forth in the Notice of Grant that forms part of this Agreement (the "Notice of Grant"). The RSUs entitle the Participant to receive, upon and subject to the vesting of the RSUs (as described in Section 2 below), one share of common stock, $0.0001 par value per share, of the Company (the "Common Stock") for each RSU that vests. The shares of Common Stock that are issuable upon vesting of the RSUs are referred to in this Agreement as the "Shares."

2. Vesting of the RSUs; Issuance of Shares.

(a) Vesting of the RSUs. Subject to the other provisions of this Section 2, the RSUs shall vest in accordance with the vesting schedule set forth in the Notice of Grant (the "Vesting Schedule"). Any fractional RSU resulting from the application of the percentages in the Vesting Schedule shall be rounded down to the nearest whole number of RSUs. Within thirty days of each vesting date shown in the Vesting Schedule (the "Vesting Dates"), the Company will issue to the Participant, in certificated or uncertificated form, such number of Shares as is equal to the number of RSUs that vested on such Vesting Date and shall deliver such Shares to the Participant, or to the broker designated by the Participant.

(b) Termination of Relationship with the Company. Except to the extent specifically otherwise provided herein, in the Plan or in another agreement between the Company and the Participant, if the Participant ceases to be an Eligible Participant for any reason, all RSUs that have not vested pursuant to Section 2(a) shall be automatically forfeited as of such termination. For purposes of this agreement, an "Eligible Participant" is an employee, officer or director of, or consultant or advisor to, the Company or any other entity the employees, officers, directors, consultants, or advisors of which are eligible to receive RSU grants under the Plan (an "Eligible Participant").

3. Change of Control.

Notwithstanding anything to the contrary in this Agreement, in the event of a Change of Control, all RSUs outstanding and unvested immediately prior to such Change of Control will become fully vested immediately prior to (and subject to the consummation of) such Change of Control.

For purposes of this Agreement, “Change of Control” shall mean (i) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly by any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company representing a majority or more of the combined voting power of the Company’s then outstanding securities, other than an acquisition of securities for investment purposes pursuant to a bona fide financing of the Company; (ii) a merger or consolidation of the Company with any other corporation in which the holders of the voting securities of the Company prior to the merger or consolidation do not own more than 50% of the total voting securities of the surviving corporation; or (iii) the sale or disposition by the Company of all or substantially all of the Company’s assets other than a sale or disposition of assets to an affiliate of the Company or a holder of securities of the Company.

4. Dividends. The RSUs shall have no rights with respect to dividends declared by the Company with respect to its capital stock, provided that the foregoing shall not prohibit or otherwise limit the adjustment of the terms of this Agreement in accordance with Section 9 of the Plan.

5. Withholding Taxes.

(a) Acknowledgments; No Section 83(b) Election. The Participant acknowledges that he or she is responsible for obtaining the advice of the Participant’s own tax advisors with respect to the grant of the RSUs and the Shares upon vesting thereof and the Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with respect to the tax consequences relating to the RSUs or Shares. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant’s tax liability that may arise in connection with the acquisition, vesting and/or disposition of the RSUs and the Shares underlying the RSUs. The Participant acknowledges that no election under Section 83(b) of the Internal Revenue Code, as amended, is available with respect to the issuance of the RSUs and the Shares underlying the RSUs.

(b) Withholding. As a condition to the granting of the RSUs and the vesting thereof, the Participant acknowledges and agrees that he or she is responsible for the payment of income and employment taxes (and any other taxes required to be withheld) payable in connection with the grant or vesting of, or otherwise in connection with, the RSUs. Accordingly, the Participant agrees to remit to the Company or any applicable subsidiary an amount sufficient to pay such taxes. Such payment shall be made to the Company or the applicable subsidiary of the Company in a form that is reasonably acceptable to the Company, as the Company may determine in its discretion. The Company in its discretion may permit such payment to be made by “net settlement” through which the Company retains and withholds from delivery at the time of vesting that number of shares of Common Stock having a fair market value sufficient to satisfy the applicable tax withholding requirements (but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the applicable accounting rules). Alternatively, the Company may require the Participant to provide a designated broker with irrevocable instructions directing the designated broker to, on the date of the designated broker’s receipt of any shares of Common Stock in accordance with

Section 2, sell in accordance with ordinary principles of best execution that number of such shares of Common Stock as is necessary to yield net proceeds to the Participant equal to the amount of withholding taxes with respect to the income recognized by the Participant as a result of the vesting of the RSUs (but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the applicable accounting rules) and remit such proceeds to the Company in satisfaction of such tax withholding obligations of the Company.

6. Transferability.

(a) Restrictions on Transfer. The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise encumber, by operation of law or otherwise, any RSUs, or any interest therein, until such RSUs have vested and the Shares underlying the RSUs have been issued.

7. Miscellaneous.

(a) No Rights to Employment. The Participant acknowledges and agrees that the grant of the RSUs and their vesting pursuant to Section 2 do not constitute an express or implied promise of continued employment for any period.

(b) Section 409A. This Agreement is intended to comply with or be exempt from the requirements of Section 409A and shall be construed consistently therewith. In any event, the Company makes no representations or warranties and will have no liability to the Participant or to any other person, if any of the provisions of or payments under this Agreement are determined to constitute nonqualified deferred compensation subject to Section 409A but that do not satisfy the requirements of that Section.

(c) Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersede all prior agreements and understandings, relating to the subject matter of this Agreement; provided that any separate employment or severance agreement between the Company and the Participant that includes terms relating to the acceleration of vesting of equity awards shall not be superseded by this Agreement. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings provided for them in the Plan.

(d) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware, without regard to any applicable conflict of law principles.

(e) Authority of Compensation Committee. In making any decisions or taking any actions with respect to the matters covered by this Agreement, the Compensation Committee shall have all of the authority and discretion, and shall be subject to all of the protections, provided for in the Plan. All decisions and actions by the Compensation Committee with respect to this Agreement shall be made in the Compensation Committee’s discretion and shall be final and binding on the Participant.

VERASTEM, INC.
Restricted Stock Unit Agreement
Inducement Award

NOTICE OF GRANT

This Restricted Stock Unit Agreement (this "Agreement") is made as of the Agreement Date between Verastem, Inc. (the "Company"), a Delaware corporation, and the Participant.

I. Agreement Date

Date: [ ]

II. Participant Information

Participant: [ ]

Participant Address: [ ]

III. Grant Information

Grant Date: [ ]

Restricted Stock Units: [ ]

IV. Vesting

Up to [ ]% of the Participant's Restricted Stock Units shall vest on [ ], provided that the Participant continues to serve as an employee, consultant and/or director of the Company on each such vesting date.

This Agreement includes this Notice of Grant and the following General Terms and Conditions (attached as Exhibit A), which are expressly incorporated by reference in their entirety herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Agreement Date.

VERASTEM, INC.	PARTICIPANT
By:	
Name: [ ]	Name: [ ]
Title: [ ]	

Restricted Stock Unit Agreement

EXHIBIT A

GENERAL TERMS AND CONDITIONS

For valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

1. Grant of RSUs; Condition of Grant. This Agreement evidences an inducement award granted by the Company to the Participant, of an award of Restricted Stock Units (the "RSUs"), representing an award of the number of RSUs (the "Share Number") set forth in the Notice of Grant that forms part of this Agreement (the "Notice of Grant"). The RSUs entitle the Participant to receive, upon and subject to the vesting of the RSUs (as described in Section 3 below), one share of common stock, $0.0001 par value per share, of the Company (the "Common Stock") for each RSU that vests. The shares of Common Stock that are issuable upon vesting of the RSUs are referred to in this Agreement as the "Shares." The RSUs are granted to the Participant in connection with the Participant's entering into employment with the Company and is regarded by the parties as an inducement material to the Participant's entering into employment within the meaning of NASDAQ Listing Rule 5635(c)(4).

2. Relationship to and Incorporation of the 2012 Incentive Plan.

The RSUs shall be subject to and governed by, and shall be construed and administered in accordance with, the terms and conditions of the Company's 2012 Incentive Plan, as amended from time to time (the "Plan"), which terms and conditions are incorporated herein by reference, except for those terms and conditions contained in Sections 3(c), 4(a), 4(b), 5, 6, 7(c) and 8 of the Plan and any amendments to such sections of the Plan. Notwithstanding the foregoing, the RSUs are not awarded under the Plan and the grant of the RSUs and issuance of any Shares pursuant to settlement of the RSUs shall not reduce the number of shares of Common Stock available for issuance under awards pursuant to the Plan. Capitalized terms in this Agreement have the meanings specified in the Plan, unless a different meaning is specified in this Agreement.

By accepting all or any part of the RSUs, the Participant agrees to be bound by the terms and conditions set forth in this Agreement and incorporated herein by reference to the Plan, a copy of which has been furnished to the Participant.

3. Vesting of the RSUs; Issuance of Shares.

a. Vesting of the RSUs. Subject to the other provisions of this Section 3, the RSUs shall vest in accordance with the vesting schedule set forth in the Notice of Grant (the "Vesting Schedule"). Any fractional RSU resulting from the application of the percentages in the Vesting Schedule shall be rounded down to the nearest whole number of RSUs. Within thirty days of each vesting date shown in the Vesting Schedule (the "Vesting Dates"), the Company will issue to the Participant, in certificated or uncertificated form, such number of Shares as is equal to the number of RSUs that vested on such Vesting Date and shall deliver such Shares to the Participant, or to the broker designated by the Participant.

b. Termination of Relationship with the Company. Except to the extent specifically otherwise provided herein, in the Plan or in another agreement between the Company and the Participant, if the Participant ceases to be an Eligible Participant for any reason, all RSUs that have not

vested pursuant to Section 3(a) shall be automatically forfeited as of such termination. For purposes of this agreement, an "Eligible Participant" is an employee, officer or director of, or consultant or advisor to, the Company or any other entity the employees, officers, directors, consultants, or advisors of which are eligible to receive RSU grants under the Plan (an "Eligible Participant").

4. Change of Control.

Notwithstanding anything to the contrary in this Agreement, in the event of a Change of Control, all RSUs outstanding and unvested immediately prior to such Change of Control will become fully vested immediately prior to (and subject to the consummation of) such Change of Control.

For purposes of this Agreement, "Change of Control" shall mean (i) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company representing a majority or more of the combined voting power of the Company's then outstanding securities, other than an acquisition of securities for investment purposes pursuant to a bona fide financing of the Company; (ii) a merger or consolidation of the Company with any other corporation in which the holders of the voting securities of the Company prior to the merger or consolidation do not own more than 50% of the total voting securities of the surviving corporation; or (iii) the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition of assets to an affiliate of the Company or a holder of securities of the Company.

5. Dividends. The RSUs shall have no rights with respect to dividends declared by the Company with respect to its capital stock, provided that the foregoing shall not prohibit or otherwise limit the adjustment of the terms of this Agreement in accordance with Section 9 of the Plan.

6. Withholding Taxes.

a. Acknowledgments; No Section 83(b) Election. The Participant acknowledges that he or she is responsible for obtaining the advice of the Participant's own tax advisors with respect to the grant of the RSUs and the Shares upon vesting thereof and the Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with respect to the tax consequences relating to the RSUs or Shares. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's tax liability that may arise in connection with the acquisition, vesting and/or disposition of the RSUs and the Shares underlying the RSUs. The Participant acknowledges that no election under Section 83(b) of the Internal Revenue Code, as amended, is available with respect to the issuance of the RSUs and the Shares underlying the RSUs.

b. Withholding. As a condition to the granting of the RSUs and the vesting thereof, the Participant acknowledges and agrees that he or she is responsible for the payment of income and employment taxes (and any other taxes required to be withheld) payable in connection with the grant or vesting of, or otherwise in connection with, the RSUs. Accordingly, the Participant agrees to remit to the Company or any applicable subsidiary an amount sufficient to pay such taxes. Such payment shall be made to the Company or the applicable subsidiary of the Company in a form that is reasonably acceptable to the Company, as the Company may determine in its discretion. The Company in its discretion may permit such payment to be made by "net settlement" through which the Company retains and withholds from delivery at the time of vesting that number of shares of Common Stock having a fair market value sufficient to satisfy the applicable tax withholding requirements (but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the applicable accounting rules). Alternatively, the Company may require the Participant to

provide a designated broker with irrevocable instructions directing the designated broker to, on the date of the designated broker's receipt of any shares of Common Stock in accordance with Section 3, sell in accordance with ordinary principles of best execution that number of such shares of Common Stock as is necessary to yield net proceeds to the Participant equal to the amount of withholding taxes with respect to the income recognized by the Participant as a result of the vesting of the RSUs (but not in excess of the maximum withholding amount consistent with the award being subject to equity accounting treatment under the applicable accounting rules) and remit such proceeds to the Company in satisfaction of such tax withholding obligations of the Company.

7. Transferability. The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise encumber, by operation of law or otherwise, any RSUs, or any interest therein, until such RSUs have vested and the Shares underlying the RSUs have been issued.

8. Miscellaneous.

a. No Rights to Employment. The Participant acknowledges and agrees that the grant of the RSUs and their vesting pursuant to Section 3 do not constitute an express or implied promise of continued employment for any period.

b. Section 409A. This Agreement is intended to comply with or be exempt from the requirements of Section 409A and shall be construed consistently therewith. In any event, the Company makes no representations or warranties and will have no liability to the Participant or to any other person, if any of the provisions of or payments under this Agreement are determined to constitute nonqualified deferred compensation subject to Section 409A but that do not satisfy the requirements of that Section.

c. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties, and supersede all prior agreements and understandings, relating to the subject matter of this Agreement; provided that any separate employment or severance agreement between the Company and the Participant that includes terms relating to the acceleration of vesting of equity awards shall not be superseded by this Agreement. Other than as provided in Section 2 of this Agreement, in the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

d. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware, without regard to any applicable conflict of law principles.

e. Authority of Compensation Committee. In making any decisions or taking any actions with respect to the matters covered by this Agreement, the Compensation Committee shall have all of the authority and discretion, and shall be subject to all of the protections, provided for in the Plan. All decisions and actions by the Compensation Committee with respect to this Agreement shall be made in the Compensation Committee's discretion and shall be final and binding on the Participant.

VERASTEM, INC.

Incentive Stock Option Agreement
Granted Under 2012 Incentive Plan

1. Grant of Option.

This agreement (this "Agreement") evidences the grant by Verastem, Inc., a Delaware corporation (the "Company"), on [_____] (the "Grant Date") to [_____], an employee of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein and in the Company's 2012 Incentive Plan (the "Plan"), a total of [_____] shares (the "Shares") of common stock, $0.0001 par value per share, of the Company ("Common Stock") at $[_____] per Share. Unless earlier terminated, this option shall expire at 5:00 p.m., Eastern time on [_____] (the "Final Exercise Date").

It is intended that the option evidenced by this Agreement shall be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. Vesting Schedule.

This option will become exercisable ("vest") as to [_____]% of the Shares on [_____], subject to the Participant's continued employment or other service relationship with the Company on each such vesting date. For purposes of this Agreement, "Vesting Commencement Date" shall mean [_____].

The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or under the terms of the Plan.

3. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be effected by a writing signed by the Participant (whether in the form attached hereto as Exhibit A or in electronic form) and accompanied by payment in full in the manner provided in the Plan. The Participant may purchase less than the number of Shares covered hereby, provided that no partial exercise of this option may be for any fractional share.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company or any parent or subsidiary of the Company as defined in Section 424(e) or (f) of the Code (an "Eligible Participant").

(c) Termination of Relationship with the Company. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date.

(e) Termination for Cause. If, prior to the Final Exercise Date, the Participant's employment or other service relationship with the Company is terminated by the Company for Cause (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such termination of employment or other service relationship. If, prior to the Final Exercise Date, the Participant is given notice by the Company of the termination of his or her employment or other service relationship by the Company for Cause, and the effective date of such termination is subsequent to the date of delivery of such notice, the right to exercise this option shall be suspended from the time of the delivery of such notice until the earlier of (i) such time as it is determined or otherwise agreed that the Participant's employment or other service relationship shall not be terminated for Cause as provided in such notice or (ii) the effective date of such termination of employment or other service relationship (in which case the right to exercise this option shall, pursuant to the preceding sentence, terminate immediately upon the effective date of such termination of employment or other service relationship). If the Participant is party to an employment or severance agreement with the Company that contains a definition of "cause" for termination of employment or other service relationship, "Cause" shall have the meaning ascribed to such term in such agreement. Otherwise, "Cause" shall mean willful misconduct by the Participant or willful failure by the Participant to perform his or her responsibilities to the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant's employment or other service relationship shall be considered to have been terminated for Cause if the Company determines, within 30 days after the Participant's resignation, that termination for Cause was warranted.

4. Change of Control.

Notwithstanding anything to the contrary in this Agreement, in the event of a Change of Control, this option, to the extent outstanding and unvested immediately prior to such Change of Control, will become fully vested and exercisable immediately prior to (and subject to the consummation of) such Change of Control.

For purposes of this Agreement, "Change of Control" shall mean (i) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company representing a majority or more of the combined voting power of the Company's then outstanding securities, other than an acquisition of securities for investment purposes pursuant to a bona fide financing of the Company; (ii) a merger or consolidation of the Company with any other corporation in which the holders of the voting securities of the Company prior to the merger or consolidation do not own more than 50% of the total voting securities of the surviving corporation; or (iii) the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition of assets to an affiliate of the Company or a holder of securities of the Company.

5. Tax Matters.

(a) Withholding. No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

(b) Disqualifying Disposition. If the Participant disposes of Shares acquired upon exercise of this option within two years from the Grant Date or one year after such Shares were acquired pursuant to exercise of this option, the Participant shall notify the Company in writing of such disposition.

(c) Annual Limit for Incentive Stock Options. To the extent that the aggregate fair market value (determined at the time of grant) of the shares of Common Stock subject to this option and all other incentive stock options the Participant holds that are exercisable for the first time during any calendar year (under all plans of the Company and its related corporations) exceeds $100,000, the options held by the Participant or portions thereof that exceed such limit (according to the order in which they were granted in accordance with the regulations under Section 422 of the Code) shall be treated as non-qualified stock options.

6. Transfer Restrictions.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

7. Provisions of the Plan.

This option is subject to the provisions of the Plan (including the provisions relating to amendments to the Plan), a copy of which is furnished to the Participant with this option. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings provided for them in the Plan.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

VERASTEM, INC.

By: _____

Name: _____
Title: _____

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 2012 Incentive Plan.

PARTICIPANT:

_____

Address: _____

_____

SIGNATURE PAGE TO INCENTIVE STOCK OPTION AGREEMENT

Exhibit A

NOTICE OF STOCK OPTION EXERCISE

Date: _____

Verastem, Inc.
117 Kendrick Street, Suite 500
Needham, MA 02494
Attention: Treasurer

Dear Sir or Madam:

I am the holder of an Incentive Stock Option granted to me under the Verastem, Inc. 2012 Incentive Plan on _____ for the purchase of _____ shares of Common Stock of the Company at a purchase price of $_____ per share.

I hereby exercise my option to purchase _____ shares of Common Stock, for which I have enclosed _____ in the amount of _____. Please register my stock certificate as follows:

Name(s): _____

Address: _____

Tax I.D. #: _____

Very truly yours,

_____
(Signature)

VERASTEM, INC.

Nonstatutory Stock Option Agreement
Granted Under 2012 Incentive Plan

1. Grant of Option.

This agreement (this "Agreement") evidences the grant by Verastem, Inc. a Delaware corporation (the "Company"), on [_____] (the "Grant Date") to [_____], an employee, consultant and/or director of the Company (the "Participant"), of an option to purchase, in whole or in part, on the terms provided herein and in the Company's 2012 Incentive Plan (the "Plan"), a total of [_____] shares (the "Shares") of common stock, $0.0001 par value per share, of the Company ("Common Stock") at $[_____] per Share. Unless earlier terminated, this option shall expire at 5:00 p.m., Eastern time, on [_____] (the "Final Exercise Date").

It is intended that the option evidenced by this Agreement shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. Vesting Schedule.

This option will become exercisable ("vest") as to [_____]% of the Shares on [_____], provided that the Participant continues to serve as an employee, consultant and/or director of the Company on each such vesting date. For purposes of this Agreement, "Vesting Commencement Date" shall mean [_____].

The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or under the terms of the Plan.

3. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be effected by a writing signed by the Participant (whether in the form attached hereto as Exhibit A or in electronic form) and accompanied by payment in full in the manner provided in the Plan. The Participant may purchase less than the number of Shares covered hereby, provided that no partial exercise of this option may be for any fractional share.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company or any other entity the employees,

officers, directors, consultants, or advisors of which are eligible to receive option grants under the Plan (an "Eligible Participant").

(c) Termination of Relationship with the Company. If the Participant ceases to be an Eligible Participant for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Participant and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date.

(e) Termination for Cause. If, prior to the Final Exercise Date, the Participant's employment or other service relationship with the Company is terminated by the Company for Cause (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such termination of employment or other service relationship. If, prior to the Final Exercise Date, the Participant is given notice by the Company of the termination of his or her employment or other service relationship by the Company for Cause, and the effective date of such termination is subsequent to the date of the delivery of such notice, the right to exercise this option shall be suspended from the time of the delivery of such notice until the earlier of (i) such time as it is determined or otherwise agreed that the Participant's employment or other service relationship shall not be terminated for Cause as provided in such notice or (ii) the effective date of such termination of employment or other service relationship (in which case the right to exercise this option shall, pursuant to the preceding sentence, terminate immediately upon the effective date of such termination of employment or other service relationship). If the Participant is party to an employment, consulting or severance agreement with the Company that contains a definition of "cause" for termination of employment or other service relationship, "Cause" shall have the meaning ascribed to such term in such agreement. Otherwise, "Cause" shall mean willful misconduct by the Participant or willful failure by the Participant to perform his or her responsibilities to the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant's employment or other service relationship shall be considered to have been terminated for "Cause" if the

Company determines, within 30 days after the Participant's resignation, that termination for Cause was warranted.

4. Change of Control.

Notwithstanding anything to the contrary in this Agreement, in the event of a Change of Control, this option, to the extent outstanding and unvested immediately prior to such Change of Control, will become fully vested and exercisable immediately prior to (and subject to the consummation of) such Change of Control.

For purposes of this Agreement, "Change of Control" shall mean (i) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company representing a majority or more of the combined voting power of the Company's then outstanding securities, other than an acquisition of securities for investment purposes pursuant to a bona fide financing of the Company; (ii) a merger or consolidation of the Company with any other corporation in which the holders of the voting securities of the Company prior to the merger or consolidation do not own more than 50% of the total voting securities of the surviving corporation; or (iii) the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition of assets to an affiliate of the Company or a holder of securities of the Company.

5. Withholding.

No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

6. Transfer Restrictions.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

7. Provisions of the Plan.

This option is subject to the provisions of the Plan (including the provisions relating to amendments to the Plan), a copy of which is furnished to the Participant with this option. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings provided for them in the Plan.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

VERASTEM, INC.

By: _____

Name: _____
Title: _____

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 2012 Incentive Plan.

PARTICIPANT:

_____

Address: _____

_____

NOTICE OF STOCK OPTION EXERCISE

Date: _____

Verastem, Inc.
117 Kendrick Street, Suite 500
Needham, MA 02494
Attention: Treasurer

Dear Sir or Madam:

I am the holder of a Nonstatutory Stock Option granted to me under the Verastem, Inc. 2012 Incentive Plan on _____ for the purchase of _____ shares of Common Stock of the Company at a purchase price of $_____ per share.

I hereby exercise my option to purchase _____ shares of Common Stock, for which I have enclosed _____ in the amount of _____. Please register my stock certificate as follows:

Name(s): _____

Address: _____

Tax I.D. #: _____

Very truly yours,

_____

(Signature)

VERASTEM, INC.
Nonstatutory Stock Option Agreement
Inducement Award

1. Grant of Option.

1 This agreement (this "Agreement") is made and entered into on [___], 20[___] (the "Grant Date") by and between Verastem, Inc., a Delaware corporation (the "Company"), and [___] (the "Participant"). This Agreement evidences an inducement award granted by the Company to the Participant, of an option to purchase, in whole or in part, a total of [___] shares (the "Shares") of common stock, $0.0001 par value per share, of the Company ("Common Stock") at $[___] per Share. This option is granted to the Participant in connection with the Participant entering into employment with the Company and is regarded by the parties as an inducement material to the Participant's entering into employment within the meaning of NASDAQ Listing Rule 5635(c)(4). Unless earlier terminated, this option shall expire at 5:00 p.m., Eastern Time, on [___] (the "Final Exercise Date").

2 It is intended that the option evidenced by this Agreement shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Participant", as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms.

2. Relationship to and Incorporation of the 2012 Incentive Plan.

1 This option shall be subject to and governed by, and shall be construed and administered in accordance with, the terms and conditions of the Company's 2012 Incentive Plan, as amended from time to time (the "Plan"), which terms and conditions are incorporated herein by reference, except for those terms and conditions contained in Sections 3(c), 4(a), 4(b), 5(b), 6, 7 and 8 of the Plan and any amendments to such sections of the Plan. Notwithstanding the foregoing, this option is not awarded under the Plan and the grant of this option and issuance of any Shares pursuant to the exercise of this option shall not reduce the number of shares of Common Stock available for issuance under awards pursuant to the Plan. Capitalized terms in this Agreement have the meanings specified in the Plan, unless a different meaning is specified in this Agreement.

2 By accepting all or any part of this option the Participant agrees to be bound by the terms and conditions set forth in this Agreement and the Plan, a copy of which has been furnished to the Participant.

3. Vesting Schedule.

1 This option will become exercisable ("vest") as to [___]% of the Shares on [___], subject to the Participant's continued employment or other service relationship with the Company on each such vesting date. For purposes of this Agreement, "Vesting Commencement Date" shall mean [___].

2 The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 4 hereof or under the terms of the Plan.

4. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be effected by a writing signed by the Participant (whether in the form attached hereto as Exhibit A or in electronic form) and accompanied by payment in full in the manner provided in the Plan. The Participant may purchase less than the number of Shares covered hereby, provided that no partial exercise of this option may be for any fractional share.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 4, this option may not be exercised unless the Participant, at the time he or she exercises this option, is, and has been at all times since the Grant Date, employed by or otherwise providing services to the Company.

(c) Termination of Relationship with the Company. If the Participant's employment or other service relationship ceases for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that the Participant was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Participant, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Death or Disability. If the Participant dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is employed by or otherwise providing services to the Company and the Company has not terminated such employment or other service relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of death or disability of the Participant, by the Participant (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Participant on the date of his or her death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date.

(e) Termination for Cause. If, prior to the Final Exercise Date, the Participant's employment or other service relationship with the Company is terminated by the Company for Cause (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such termination of employment or other service relationship. If, prior to the Final Exercise Date, the Participant is given notice by the Company of the termination of his or her employment or other service relationship by the Company for Cause, and the effective date of such termination is subsequent to the date of the delivery of such notice, the right to exercise this option shall be suspended from the time of the delivery of such notice until the earlier of (i)

such time as it is determined or otherwise agreed that the Participant's employment or other service relationship shall not be terminated for Cause as provided in such notice or (ii) the effective date of such termination of employment or other service relationship (in which case the right to exercise this option shall, pursuant to the preceding sentence, terminate immediately upon the effective date of such termination of employment or other service relationship). If the Participant is party to an employment, consulting or severance agreement with the Company that contains a definition of "cause" for termination of employment or other service relationship, "Cause" shall have the meaning ascribed to such term in such agreement. Otherwise, "Cause" shall mean willful misconduct by the Participant or willful failure by the Participant to perform his or her responsibilities to the Company (including, without limitation, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Participant and the Company), as determined by the Company, which determination shall be conclusive. The Participant's employment or other service relationship shall be considered to have been terminated for "Cause" if the Company determines, within 30 days after the Participant's resignation, that termination for Cause was warranted.

5. Change of Control.

Notwithstanding anything to the contrary in this Agreement, in the event of a Change of Control, this option, to the extent outstanding and unvested immediately prior to such Change of Control, will become fully vested and exercisable immediately prior to (and subject to the consummation of) such Change of Control.

For purposes of this Agreement, "Change of Control" shall mean (i) the acquisition of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly by any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) of securities of the Company representing a majority or more of the combined voting power of the Company's then outstanding securities, other than an acquisition of securities for investment purposes pursuant to a bona fide financing of the Company; (ii) a merger or consolidation of the Company with any other corporation in which the holders of the voting securities of the Company prior to the merger or consolidation do not own more than 50% of the total voting securities of the surviving corporation; or (iii) the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition of assets to an affiliate of the Company or a holder of securities of the Company.

6. Withholding.

1 No Shares will be issued pursuant to the exercise of this option unless and until the Participant pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option.

7. Transfer Restrictions.

This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Participant, either voluntarily or by operation of law, except by will or the laws of descent

and distribution or pursuant to a qualified domestic relations order, and, during the lifetime of the Participant, this option shall be exercisable only by the Participant.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Company has caused this option to be executed under its corporate seal by its duly authorized officer. This option shall take effect as a sealed instrument.

VERASTEM, INC.

By: _____

Name: _____
Title: _____

PARTICIPANT'S ACCEPTANCE

The undersigned hereby accepts the foregoing option and agrees to the terms and conditions thereof. The undersigned hereby acknowledges receipt of a copy of the Company's 2012 Incentive Plan.

PARTICIPANT:

_____

Address: _____

_____

SIGNATURE PAGE TO NONSTATUTORY STOCK OPTION AGREEMENT

NOTICE OF STOCK OPTION EXERCISE

Date: ___ (1)

Verastem, Inc.
117 Kendrick, Suite 500
Needham, MA 02494
Attention: Treasurer

Dear Sir or Madam:

I am the holder of a Nonstatutory Stock Option granted to me as an inducement award subject to the terms and conditions of the Verastem, Inc. 2012 Incentive Plan on ___ (2) for the purchase of ___ (3) shares of Common Stock of the Company at a purchase price of $ ___ (4) per share.

I hereby exercise my option to purchase ___ (5) shares of Common Stock, for which I have enclosed ___ (6) in the amount of ___ (7). Please register my stock certificate as follows:

Name(s): _____(8)
Address: _____
Tax I.D. #: _____(9)

(1) Enter the date of exercise.
(2) Enter the date of grant.
(3) Enter the total number of shares of Common Stock for which the option was granted.
(4) Enter the option exercise price per share of Common Stock.
(5) Enter the number of shares of Common Stock to be purchased upon exercise of all or part of the option.
(6) Enter “cash”, “personal check” or if permitted by the option, “stock certificates No. XXXX and XXXX”.
(7) Enter the dollar amount (price per share of Common Stock times the number of shares of Common Stock to be purchased), or the number of shares tendered. Fair market value of shares tendered, together with cash or check, must cover the purchase price of the shares issued upon exercise.
(8) Enter name(s) to appear on stock certificate: (a) Your name only; (b) Your name and other name (i.e., John Doe and Jane Doe, Joint Tenants With Right of Survivorship); or (c) In the case of a Nonstatutory option only, a Child’s name, with you as custodian (i.e., Jane Doe, Custodian for Tommy Doe). Note: There may be income and/or gift tax consequences of registering shares in a Child’s name.
(9) Social Security Number of Holder(s).

Very truly yours,

_____
(Signature)

CERTIFICATIONS

I, Brian M. Stuglik, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

/s/ BRIAN M. STUGLIK

Brian M. Stuglik
Chief Executive Officer
(Principal executive officer)

Date: May 7, 2020

Exhibit 31.2

CERTIFICATIONS

I, Robert Gagnon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verastem, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

/s/ ROBERT GAGNON

Robert Gagnon
Chief Business and Financial Officer
(Principal financial and accounting officer)

Date: May 7, 2020

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Brian M. Stuglik, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

/s/ BRIAN M. STUGLIK

Brian M. Stuglik
Chief Executive Officer
(Principal executive officer)

Date: May 7, 2020

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Verastem, Inc. (the "Company") for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert Gagnon, Chief Business and Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

/s/ ROBERT GAGNON

Robert Gagnon
Chief Business and Financial Officer
(Principal financial and accounting officer)

Date: May 7, 2020

Verastem Oncology Reports First Quarter 2020 Financial Results and Highlights Recent Company Progress

Company to Pursue Low-Grade Serous Ovarian Cancer Indication for VS-6766 with Defactinib; On Track to Initiate Discussions with FDA

Company Reports $5.0M in Net Product Revenue; With Newly Strengthened Balance Sheet, Company is Well Positioned to Execute on Key Corporate Objectives in 2020 and Beyond

BOSTON, MA – May 7, 2020 – Verastem, Inc. (Nasdaq:VSTM) (also known as Verastem Oncology), a biopharmaceutical company committed to developing and commercializing new medicines for patients battling cancer, today reported financial results for the three months ending March 31, 2020, and provided an overview of recent corporate highlights.

"The early part of 2020 was marked most importantly by the strategic in-licensing of the novel RAF/MEK inhibitor VS-6766 which is being investigated in combination with defactinib, our lead FAK inhibitor, in KRAS mutant tumors," commented Brian Stuglik, Chief Executive Officer of Verastem Oncology. "The encouraging preliminary Phase 1 results from the investigator-initiated FRAME study recently reported at AACR in KRAS mutant low-grade serous ovarian cancer (LGSOC) will form the basis of our upcoming discussions with the U.S. Food and Drug Administration (FDA) and other regulatory authorities. We look forward to identifying the path forward for this novel combination and to embarking on a registration-directed clinical trial in LGSOC as rapidly as possible."

RAF/MEK and FAK Inhibition in KRAS Mutant Solid Tumors

- ***Presented Preliminary Results from investigator-initiated Phase 1 FRAME Study Investigating the Combination of VS-6766 and Defactinib in KRAS Mutant Solid Tumors at AACR 2020 Virtual Meeting I.*** In a virtual poster presentation, Udai Banerji, MBBS, MD, DNB, PhD, FRCP, NIHR, Professor of Molecular Cancer Pharmacology at The Institute of Cancer Research and Honorary Consultant in Medical Oncology at The Royal Marsden NHS Foundation Trust, highlighted data from this ongoing, open-label, dose-escalation and expansion investigator-initiated study investigating the combination of VS-6766, Verastem Oncology's RAF/MEK inhibitor, with defactinib, the Company's FAK inhibitor, in patients with KRAS mutant advanced solid tumors, including LGSOC and non-small cell lung cancer (NSCLC).

  The VS-6766/defactinib combination was well tolerated by the patients in the trial. The recommended Phase 2 dose has now been established. In the patients with KRAS mutant LGSOC (n=6), 4 patients responded for an overall response rate (ORR) of 67%. The median time on treatment for these 4 patients was 20.5 months. In the patients with KRAS mutant NSCLC (n=10), 1 patient responded (partial response) for an ORR of 10% and a total of 8 patients achieved disease control for a disease control rate (DCR) of 80%. Additionally, in patients with KRAS mutant NSCLC, 8 remained on therapy for at least 12 weeks and 3 remained on therapy for at least 24 weeks. Expansion cohorts remain ongoing in LGSOC and NSCLC.

  Verastem Oncology plans to initiate discussions with the FDA during second quarter of 2020, with the goal of commencing a registration-directed clinical trial investigating the VS-6766/defactinib combination in patients with LGSOC by the end of 2020.

Subsequent Analysis

Based on an observation of higher response rates seen in patients with $KRAS^{G12V}$ mutations in the investigator-initiated Phase 1 combination study, Verastem Oncology conducted a post-hoc combined analysis with data from the combination study and the prior single-agent study that utilized a twice-weekly dosing schedule of VS-6766 to get a more complete picture of activity in $KRAS^{G12V}$ mutations. This analysis showed early signals of activity in patients with $KRAS^{G12V}$ mutated NSCLC. The Company plans to evaluate this finding further in a prospective NSCLC clinical trial.

- ***New Strategic Direction.*** Verastem Oncology recently licensed exclusive global development and commercialization rights to VS-6766 (CH5126766), a unique and promising inhibitor of the RAF/MEK signaling pathway. The Company then announced its plans to accelerate development of VS-6766 in combination with defactinib for the treatment of KRAS mutant solid tumors. The rationale for investigating the combinations of VS-6766 and defactinib is supported by single-agent Phase 1 and Phase 2 studies which investigated defactinib in KRAS mutant NSCLC[1] and VS-6766 in KRAS mutant NSCLC and LGSOC[2].

COPIKTRA® (Duvelisib)

- ***First Patient Dosed in Chinese Study Evaluating Duvelisib in Patients with Relapsed or Refractory Follicular Lymphoma (FL).*** Verastem Oncology's partner, CSPC Pharmaceutical Group Limited, has dosed the first patient in a single-arm, open-label, multi-center pivotal study designed to evaluate the antitumor activity and safety of duvelisib in patients with relapsed or refractory FL. This study is expected to serve as a bridging study based on the efficacy and safety observed in Verastem Oncology's Phase 2 DYNAMO study. The results of this study will form the basis of a regulatory submission for duvelisib for the treatment of relapsed or refractory FL in China.

- ***Ongoing U.S. Commercial Rollout of COPIKTRA***. COPIKTRA, the Company's marketed oral inhibitor of phosphoinositide 3-kinase (PI3K), and the first FDA-approved dual inhibitor of PI3K-delta and PI3K-gamma generated $5.0 million in net product revenues during the first quarter of 2020, a 194% increase over the first quarter of 2019 and a 39% increase over the fourth quarter of 2019.

Corporate and Financial

- ***Strengthened the Balance Sheet Through a Private Placement with Premier Life Science Investors.*** On March 3, 2020, Verastem Oncology completed a private placement offering of approximately 46.5 million shares of its common stock to certain institutional investors, including RA Capital Management, Vivo Capital, Venrock Healthcare Capital Partners, Farallon Capital Management, Acuta Capital, EcoR1 Capital LLC, Avidity Partners and Logos Capital at a price of $2.15 per share, a 12.6% premium to the February 27, 2020 closing price. The gross proceeds to Verastem Oncology were $100 million. After deducting the underwriting discounts and commissions and other estimated offering expenses, net proceeds to the Company were approximately $93.8 million.

- ***Convertible Senior Second Lien Notes (2019 Notes) Fully Converted to Common Stock.*** During the first quarter of 2020, all of the remaining 2019 Notes were converted into shares of common stock. As of March 31, 2020, the Company had approximately $63.3 million in outstanding debt.

- ***Appointed John H. Johnson to the Board of Directors.*** In April, Verastem Oncology announced the appointment of John H. Johnson to its Board of Directors. Mr. Johnson's career spans multiple executive

management roles at leading global corporations where he was responsible for overseeing oncology and immunology drug development initiatives and commercialization. Mr. Johnson will serve on the Compensation and Nominating and Governance Committees.

First Quarter 2020 Financial Results

Net product revenue for the three months ending March 31, 2020 (2020 Quarter) was $5.0 million, compared to $1.7 million for the three months ending March 31, 2019 (2019 Quarter). COPIKTRA demand units for the 2020 Quarter increased 178% compared to the 2019 Quarter. License and collaboration revenue for the 2020 Quarter was less than $0.1 million. There was no license and collaboration revenue for the 2019 Quarter. 2020 Quarter license and collaboration revenue was comprised of duvelisib shipments to our partner, CSPC Pharmaceutical Group Limited.

Total operating expenses for the 2020 Quarter were $31.4 million, compared to $36.3 million for the 2019 Quarter. Included within operating expenses for the 2020 Quarter is a non-recurring charge of $3.0 million related to an up-front non-refundable payment to Chugai Pharmaceutical Co. Ltd. (Chugai) for the VS-6766 license, $1.8 million of severance expense and $1.4 million of non-cash stock-based compensation expense.

Research and development (R&D) expense for the 2020 Quarter was $10.9 million, compared to $9.8 million for the 2019 Quarter. The increase of $1.1 million, or 11%, was primarily related to the up-front non-refundable payment of $3.0 million to Chugai for the VS-6766 license. This was partially offset by a decrease of $1.3 million in contract research organization costs and a decrease of $0.6 million in costs for clinical supply, drug substance and drug product.

Selling, general and administrative (SG&A) expense for the 2020 Quarter was $19.6 million, compared to $26.0 million for the 2019 Quarter. The decrease of $6.4 million, or 25%, primarily resulted from a decrease of $2.8 million in consulting and professional fees, principally related to the support of commercial launch activities in the 2019 Quarter, a decrease of $2.3 million in personnel related costs, including non-cash stock-based compensation as a result of reduced headcount, and a decrease of $1.3 million in reduced travel and other costs.

Net loss for the 2020 Quarter was $38.0 million, or $0.35 per share (basic and diluted), compared to $38.1 million, or $0.52 per share (basic and diluted), for the 2019 Quarter. The 2020 Quarter includes $8.1 million of non-cash interest expense related to conversions of Convertible Senior Notes into shares of common stock.

For the 2020 Quarter, non-GAAP adjusted net loss was $21.3 million, or $0.20 per share (diluted), compared to non-GAAP adjusted net loss of $33.8 million, or $0.46 per share (diluted), for the 2019 Quarter. Please refer to the GAAP to Non-GAAP Reconciliation attached to this press release.

Verastem Oncology ended the first quarter of 2020 with cash, cash equivalents and short-term investments of $170.7 million.

Financial Guidance for Fiscal 2020

As a result of its new strategic direction, Verastem Oncology expects to reduce its operating expenses by approximately 40% for 2020 compared to 2019. Based on its current operating plans, the Company expects its R&D and SG&A expenses for the full year 2020 to be in the range of $70 million to $85 million. The company is guiding that 2020 COPIKTRA revenues may be approximately $16 million.

Use of Non-GAAP Financial Measures

To supplement Verastem Oncology's condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States (GAAP), the Company uses the following non-GAAP financial measures in this press release: non-GAAP adjusted net loss and non-GAAP net loss per share. These non-GAAP financial measures exclude certain amounts or expenses from the corresponding financial measures determined in accordance with GAAP. Management believes this non-GAAP information is useful for investors, taken in conjunction with the Company's GAAP financial statements, because it provides greater transparency and period-over-period comparability with respect to the Company's operating performance and can enhance investors' ability to identify operating trends in the Company's business. Management uses these measures, among other factors, to assess and analyze operational results and trends and to make financial and operational decisions. Non-GAAP information is not prepared under a comprehensive set of accounting rules and should only be used to supplement an understanding of the Company's operating results as reported under GAAP, not in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. The determination of the amounts that are excluded from non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts. Reconciliations between these non-GAAP financial measures and the most comparable GAAP financial measures for the three months ended March 31, 2020 and 2019 are included in the tables accompanying this press release after the unaudited condensed consolidated financial statements.

About Verastem Oncology

Verastem Oncology (Nasdaq: VSTM) is a commercial biopharmaceutical company committed to the development and commercialization of new medicines to improve the lives of patients diagnosed with cancer. Our pipeline is focused on novel small molecule drugs that inhibit critical signaling pathways in cancer that promote cancer cell survival and tumor growth, including phosphoinositide 3-kinase (PI3K), focal adhesion kinase (FAK) and RAF/MEK inhibition.

Our first FDA approved product is available for the treatment of patients with certain types of indolent non-Hodgkin's lymphoma (iNHL).

For more information, please visit www.verastem.com.

Forward looking statements notice

This press release includes forward-looking statements about Verastem Oncology's strategy, future plans and prospects, including statements related to the opportunity to rapidly advance the development of clinical programs through Verastem Oncology's expanded development pipeline and strengthened balance sheet, the timing of top-line results for clinical trials, anticipated reductions in operating expenses from Verastem Oncology's strategic realignment, the timing of commencing a registration-directed trial for VS-6766 and financial guidance estimates. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement.

Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include the risks and uncertainties, among other things, regarding: the success in the development and potential commercialization of our product candidates, including defactinib in combination with CH5126766 (VS-6766);

the occurrence of adverse safety events and/or unexpected concerns that may arise from additional data or analysis or result in unmanageable safety profiles as compared to their levels of efficacy; our ability to obtain, maintain and enforce patent and other intellectual property protection for our product candidates; the scope, timing, and outcome of any legal proceedings; decisions by regulatory authorities regarding labeling and other matters that could affect the availability or commercial potential of our product candidates; whether preclinical testing of our product candidates and preliminary or interim data from clinical trials will be predictive of the results or success of ongoing or later clinical trials; that the timing, scope and rate of reimbursement for our product candidates is uncertain; that third-party payors (including government agencies) may not reimburse; that there may be competitive developments affecting our product candidates; that data may not be available when expected; that enrollment of clinical trials may take longer than expected; that our product candidates will experience manufacturing or supply interruptions or failures; that we will be unable to successfully initiate or complete the clinical development and eventual commercialization of our product candidates; that the development and commercialization of our product candidates will take longer or cost more than planned; that we or Chugai Pharmaceutical Co., Ltd. will fail to fully perform under the CH5126766 (VS-6766) license agreement; that we may not have sufficient cash to fund our contemplated operations; that we may be unable to make additional draws under our debt facility or obtain adequate financing in the future through product licensing, co-promotional arrangements, public or private equity, debt financing or otherwise; that we will be unable to execute on our partnering strategies for defactinib in combination with CH5126766 (VS-6766); that we will not pursue or submit regulatory filings for our product candidates, that our product candidates will not receive regulatory approval, become commercially successful products, or result in new treatment options being offered to patients, and that the duration and impact of COVID-19 may affect, precipitate or exacerbate one or more of the foregoing risks and uncertainties.

Other risks and uncertainties include those identified under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (SEC) on March 11, 2020, and in any subsequent filings with the SEC. The forward-looking statements contained in this press release reflect Verastem Oncology’s views as of the date hereof, and the Company does not assume and specifically disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

References

[1] Gerber D. et al. Phase 2 study of the focal adhesion kinase inhibitor defactinib (VS-6063) in previously treated advanced KRAS mutant non-small cell lung cancer. Lung Cancer 2020: 139:60-67.

[2] Chénard-Poirier, M. et al. Results from the biomarker-driven basket trial of RO5126766 (CH5127566), a potent RAF/MEK inhibitor, in RAS- or RAF-mutated malignancies including multiple myeloma. Journal of Clinical Oncology 2017: 35. 10.1200/JCO.2017.35.15_suppl.2506.

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Verastem, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31 2020	December 31, 2019
Cash, cash equivalents, & investments	$ 135,061	$ 75,506
Accounts receivable, net	3,326	2,524
Inventory	4,372	3,096
Prepaid expenses and other current assets	5,887	3,835
Property and equipment, net	866	947
Intangible assets, net	19,616	20,008
Right-of-use asset, net	2,995	3,077
Restricted cash and other assets	36,031	36,053
Total assets	**$ 208,154**	**$ 145,046**
Current Liabilities	$ 25,728	$ 29,890
Long-term debt	35,276	35,067
Convertible senior notes	19,938	68,556
Lease Liability, long-term	3,359	3,489
Other liabilities	870	870
Stockholders' equity	122,983	7,174
Total liabilities and stockholders' equity	**$ 208,154**	**$ 145,046**

Verastem, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three months ended March 31,	
	2020	**2019**
Revenue:		
Product revenue, net	$ 5,034	$ 1,671
License and collaboration revenue	22	—
Total revenue	5,056	1,671
Operating expenses:		
Cost of sales - product	495	158
Cost of sales - intangible amortization	392	392
Research and development	10,924	9,758
Selling, general and administrative	19,604	26,033
Total operating expenses	31,415	36,341
Loss from operations	(26,359)	(34,670)
Other expense	(1,313)	—
Interest income	356	1,497
Interest expense	(10,674)	(4,929)
Net Loss	$ (37,990)	$ (38,102)
Net loss per share—basic and diluted	$ (0.35)	$ (0.52)
Weighted average common shares outstanding used in computing net loss per share—basic and diluted	108,153	73,854

Verastem, Inc.
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share amounts)
(unaudited)

	Three months ended March 31,	
	2020	**2019**
Net Loss Reconciliation		
Net Loss (GAAP basis)	$ (37,990)	$ (38,102)
Adjust:		
Amortization of acquired intangible asset	392	392
Stock-based compensation expense	1,370	2,248
Non-cash interest, net	8,779	1,608
Severance and Other	1,788	37
Change in fair value of derivative	1,313	—
Chugai License Payment	3,000	—
Adjusted Net Loss (non-GAAP basis)	$ (21,348)	$ (33,817)
Reconciliation of Net Loss Per Share		
Net Loss per share – diluted (GAAP Basis)	(0.35)	(0.52)
Adjust per diluted share		
Amortization of acquired intangible asset	0.00	0.01
Stock-based compensation expense	0.01	0.03
Non-cash interest, net	0.08	0.02
Severance and Other	0.02	0.00
Change in fair value of derivative	0.01	—
Chugai License Payment	0.03	—
Adjusted Net Loss per share – diluted (non-GAAP Basis)	$ (0.20)	$ (0.46)
Weighted average common shares outstanding used in computing net loss per share—diluted	108,153	73,854