# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 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 September 30, 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: 001-38529**

# Verrica Pharmaceuticals Inc.

**(Exact Name of Registrant as Specified in its Charter)**

| **Delaware** | **46-3137900** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **10 North High Street, Suite 200 West Chester, PA** | **19380** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code: (484) 453-3300**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 par value | VRCA | The Nasdaq Stock Market LLC |

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 November 5, 2020, the registrant had 25,865,542 shares of common stock, $0.0001 par value per share, outstanding.

**VERRICA PHARMACEUTICALS INC.**
**QUARTERLY REPORT ON FORM 10-Q**
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**PART I. FINANCIAL INFORMATION**

**Item 1. Unaudited Condensed Financial Statements**

**VERRICA PHARMACEUTICALS INC.**
**CONDENSED BALANCE SHEETS**
(in thousands, except share and per share amounts)
(Unaudited)

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 17,198 | $ 9,241 |
| Marketable securities | 54,683 | 52,776 |
| Prepaid expenses and other assets | 2,093 | 2,966 |
| Total current assets | 73,974 | 64,983 |
| Property and equipment, net | 2,708 | 2,090 |
| Operating lease right-of-use asset | 1,891 | 111 |
| Other non-current assets | 1,363 | 1,240 |
| **Total assets** | **$ 79,936** | **$ 68,424** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 179 | $ 1,185 |
| Accrued expenses and other current liabilities | 3,099 | 2,036 |
| Operating lease liability | 245 | 130 |
| Deferred revenue | 500 | — |
| Current debt, net | 34,980 | — |
| Total current liabilities | 39,003 | 3,351 |
| Operating lease liability | 1,751 | 58 |
| **Total liabilities** | **40,754** | **3,409** |
| **Commitments and Contingencies (Note 10)** | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2020 and December 31, 2019 | — | — |
| Common stock, $0.0001 par value; 200,000,000 authorized; 25,970,686 shares issued and 25,865,542 shares outstanding as of September 30, 2020 and 25,912,137 shares issued and 25,786,330 shares outstanding as of December 31, 2019 | 3 | 3 |
| Treasury stock, at cost, 105,144 shares as of September 30, 2020 and December 31, 2019 | — | — |
| Additional paid-in capital | 130,528 | 126,594 |
| Subscription receivable | (446) | (410) |
| Accumulated deficit | (90,909) | (61,192) |
| Accumulated other comprehensive gain | 6 | 20 |
| Total stockholders' equity | 39,182 | 65,015 |
| **Total liabilities and stockholders' equity** | **$ 79,936** | **$ 68,424** |

*The accompanying notes are an integral part of these condensed financial statements.*

**VERRICA PHARMACEUTICALS INC.**
**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
(in thousands, except share and per share amounts)
(Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Operating expenses:** | | | | |
| Research and development | $ 4,988 | $ 3,049 | $ 13,401 | $ 11,464 |
| General and administrative | 4,649 | 3,494 | 14,747 | 10,626 |
| Total operating expenses | 9,637 | 6,543 | 28,148 | 22,090 |
| **Loss from operations** | (9,637) | (6,543) | (28,148) | (22,090) |
| **Other income (expense):** | | | | |
| Interest income | 69 | 453 | 473 | 1,523 |
| Interest expense | (918) | — | (2,042) | — |
| Other expense | — | — | — | (3) |
| Total other (expense) income | (849) | 453 | (1,569) | 1,520 |
| **Net loss** | **$ (10,486)** | **$ (6,090)** | **$ (29,717)** | **$ (20,570)** |
| | | | | |
| Net loss per share, basic and diluted | $ (0.42) | $ (0.24) | $ (1.19) | $ (0.83) |
| Weighted average common shares outstanding, basic and diluted | 24,988,939 | 24,893,036 | 24,972,972 | 24,875,589 |
| | | | | |
| Net loss | $ (10,486) | $ (6,090) | $ (29,717) | $ (20,570) |
| Other comprehensive gain: | | | | |
| Unrealized gain on marketable securities | (26) | (11) | (14) | 44 |
| Comprehensive loss | **$ (10,512)** | **$ (6,101)** | **$ (29,731)** | **$ (20,526)** |

*The accompanying notes are an integral part of these condensed financial statements.*

**VERRICA PHARMACEUTICALS INC.**
**CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**
(in thousands, except share amounts)
(Unaudited)

| | Common Stock | | Additional | Subscription | Accumulated | Treasury Stock | | Accumulated Other Comprehensive | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Issued | Amount | Paid-in Capital | Receivable | Deficit | Shares | Cost | Gain (Loss) | Equity |
| **January 1, 2020** | **25,912,137** | **$ 3** | **$ 126,594** | **$ (410)** | **$ (61,192)** | **105,144** | **$ —** | **$ 20** | **$ 65,015** |
| Repayment of subscription receivable | — | — | — | 410 | — | — | — | — | 410 |
| Stock-based compensation | — | — | 998 | — | — | — | — | — | 998 |
| Exercise of stock options | 7,500 | — | 7 | — | — | — | — | — | 7 |
| Net loss | — | — | — | — | (9,822) | — | — | — | (9,822) |
| **March 31, 2020** | **25,919,637** | **3** | **127,599** | **—** | **(71,014)** | **105,144** | **—** | **20** | **56,608** |
| Stock-based compensation | — | — | 1,252 | — | — | — | — | — | 1,252 |
| Net loss | — | — | — | — | (9,409) | — | — | — | (9,409) |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | 12 | 12 |
| **June 30, 2020** | **25,919,637** | **3** | **128,851** | **-** | **(80,423)** | **105,144** | **-** | **32** | **48,463** |
| Subscription receivable | 51,049 | — | 446 | (446) | — | — | — | — | — |
| Stock-based compensation | — | — | 1,231 | — | — | — | — | — | 1,231 |
| Unrealized loss on marketable securities | — | — | — | — | — | — | — | (26) | (26) |
| Net loss | — | — | — | — | (10,486) | — | — | — | (10,486) |
| **September 30, 2020** | **25,970,686** | **$ 3** | **$ 130,528** | **$ (446)** | **$ (90,909)** | **105,144** | **$ —** | **$ 6** | **$ 39,182** |
| | | | | | | | | | |
| **January 1, 2019** | **25,809,900** | **$ 3** | **$ 122,526** | **$ —** | **$ (33,083)** | **105,144** | **$ —** | **$ (17)** | **$ 89,429** |
| Stock-based compensation | — | — | 780 | — | — | — | — | — | 780 |
| Exercise of stock options | 3,729 | — | 3 | — | — | — | — | — | 3 |
| Net loss | — | — | — | — | (7,479) | — | — | — | (7,479) |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | 28 | 28 |
| Adoption of ASU 2018-07 (See Note 2) | — | — | (98) | — | 98 | — | — | — | — |
| **March 31, 2019** | **25,813,629** | **3** | **123,211** | **—** | **(40,464)** | **105,144** | **-** | **11** | **82,761** |
| Stock-based compensation | — | — | 846 | — | — | — | — | — | 846 |
| Exercise of stock options | 31,812 | — | 212 | — | — | — | — | — | 212 |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | 27 | 27 |
| Net loss | — | — | — | — | (7,001) | — | — | — | (7,001) |
| **June 30, 2019** | **25,845,441** | **3** | **124,269** | **-** | **(47,465)** | **105,144** | **-** | **38** | **76,845** |
| Stock-based compensation | — | — | 905 | — | — | — | — | — | 905 |
| Exercise of stock options | 4,500 | — | 4 | — | — | — | — | — | 4 |
| Unrealized loss on marketable securities | — | — | — | — | — | — | — | (11) | (11) |
| Net loss | — | — | — | — | (6,090) | — | — | — | (6,090) |
| **September 30, 2019** | **25,849,941** | **$ 3** | **$ 125,178** | **$ —** | **$ (53,555)** | **105,144** | **$ —** | **$ 27** | **$ 71,653** |

*The accompanying notes are an integral part of these condensed financial statements.*

**VERRICA PHARMACEUTICALS INC.**
**CONDENSED STATEMENTS OF CASH FLOWS**
(in thousands)
(Unaudited)

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | **2020** | **2019** |
| **Cash flows from operating activities** | | |
| Net loss | $ (29,717) | $ (20,570) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 3,481 | 2,531 |
| Accretion of discounts on marketable securities | (125) | (880) |
| Depreciation expense | 31 | 38 |
| Non cash interest expense | 597 | — |
| Reduction in operating lease right-of-use asset | 130 | 126 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | 873 | (1,619) |
| Other non-current assets | (10) | (19) |
| Accounts payable | (1,006) | 89 |
| Accrued expenses and other current liabilities | 1,240 | 1,235 |
| Accounts payable and accrued expenses - related party | — | (38) |
| Deferred revenue | 500 | — |
| Operating lease liability | (102) | (88) |
| Net cash used in operating activities | (24,108) | (19,195) |
| **Cash flows from investing activities** | | |
| Sales and maturities of marketable securities | 57,749 | 93,215 |
| Purchases of marketable securities | (59,545) | (73,231) |
| Purchases of property and equipment | (926) | (679) |
| Net cash (used in) provided by investing activities | (2,722) | 19,305 |
| **Cash flows from financing activities** | | |
| Proceeds from exercise of stock options | 7 | 219 |
| Proceeds from issuance of debt, net | 34,460 | — |
| Debt issuance costs | (90) | — |
| Repayment of subscription receivable | 410 | — |
| Net cash provided by financing activities | 34,787 | 219 |
| Net increase in cash and cash equivalents | 7,957 | 329 |
| Cash and cash equivalents at the beginning of the period | 9,241 | 10,271 |
| Cash and cash equivalents at the end of the period | **$ 17,198** | **$ 10,600** |
| | | |
| **Supplemental disclosure of noncash investing and financing activities:** | | |
| Property and equipment purchases payable or accrued at period end | $ 455 | $ 441 |
| Subscription receivable on exercise of options | $ 446 | $ — |
| Right-of-use asset obtained in exchange for lease obligation | $ 1,910 | $ — |
| Change in unrealized gain on marketable securities | $ (14) | $ 44 |
| Cash paid for interest | $ 1,234 | $ — |

*The accompanying notes are an integral part of these condensed financial statements.*

## Note 1—Nature of Business

Verrica Pharmaceuticals Inc. (the "Company") was formed on July 3, 2013 and is incorporated in the State of Delaware. The Company is a dermatology therapeutics company committed to the development and commercialization of novel treatments that provide meaningful benefit for people living with skin diseases.

### *Liquidity and Capital Resources*

In July 2020, the Company received a Complete Response Letter (the "CRL") from the U.S. Food and Drug Administration (the "FDA"), for its new drug application, ("NDA"), for VP-102, the Company's investigational, proprietary, drug-device combination for the treatment of molluscum contagiosum. The CRL indicated the need for additional information regarding certain aspects of the chemistry, manufacturing and controls ("CMC"), process for the drug/device combination as well as human factors validation. A Type A meeting was held with the FDA to discuss the issues that were identified in the CRL and the resubmission of the NDA for VP-102.

The Company has incurred substantial operating losses since inception and expects to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of September 30, 2020, the Company had an accumulated deficit of $90.9 million. In March 2020, the Company entered into a Mezzanine Loan Agreement (see Note 7) and borrowed $35.0 million that remains outstanding as of September 30, 2020. As discussed in Note 7, the Mezzanine Loan Agreement was amended on October 26, 2020 and now includes a minimum liquidity covenant. If the Company is not in compliance with the minimum liquidity ratio covenant, the outstanding debt and any related final payment fees, prepayment fees and accrued interest become due on demand. The Company believes that, without additional financing, it is probable that it will not be in compliance with the minimum liquidity ratio covenant at some point in the next twelve months. Even if the Company is not in compliance with the minimum liquidity ratio covenant and the debt becomes due, management believes the Company currently has sufficient funds to meet its operating requirements for at least the next twelve months from the issuance of these financial statements.

Since inception, the Company has financed its operations through sales of convertible preferred stock and the sale of common stock in the Company's initial public offering, with aggregate gross proceeds of $123.2 million and net proceeds of $114.9 million and the issuance of debt with aggregate gross proceeds of $35.0 million and net proceeds of $34.5 million. As of September 30, 2020, the Company had cash, cash equivalents and marketable securities of $71.9 million.

## Note 2—Significant Accounting Policies

### *Basis of Presentation*

The accompanying unaudited interim condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. They may not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2019 filed with the Securities and Exchange Commission (the "SEC") on March 13, 2020. The results of operations for any interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

The Company has been actively monitoring the novel coronavirus ("COVID-19") pandemic and its impact globally. Management believes the financial results for the three and nine month periods ended September 30, 2020 were not significantly impacted by COVID-19. In addition, management believes the remote working arrangements, travel restrictions and any other regulations imposed by various governmental jurisdictions have had limited impact on the Company's ability to maintain internal operations during the quarter. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19. As a direct result of COVID-19, the Company decided to delay the initiation of its Phase 3 clinical trials to evaluate VP-102 in subjects with common warts as well as its planned Phase 2 clinical trial to evaluate VP-103 in subjects with plantar warts until conditions are appropriate.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. These estimates and assumptions are based on current facts, historical experience and other pertinent industry and regulatory authority information, including the potential future effects of COVID-19, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

S***ignificant Accounting Policies***

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standard Update ("ASU") 2016-02, *Leases (Topic 842)* in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. For public companies, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous GAAP. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities an optional transition method to apply the guidance under Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted Topic 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the package of practical expedients described above. Based on the analysis, on January 1, 2019, the Company recorded an operating lease right-of-use asset of $304,000 and an operating lease liability of $306,000 and eliminated deferred rent of $2,000. See Note 6 for additional information.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplified the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. The Company adopted ASU No. 2018-07 as of January 1, 2019 and recorded an adjustment to accumulated deficit and additional paid-in capital of $98,000.

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 makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The adoption of this guidance as of January 1, 2020 did not have an impact on the financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): 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 (and hosting arrangements that include an internal-use software license). The guidance also requires the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. The guidance becomes effective for the Company in the year ending December 31, 2020. The adoption of this guidance as of January 1, 2020 did not have an impact on the financial statements.

***Net Loss per Share***

Net loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period. Diluted net loss per share excludes the potential impact of common stock options and unvested shares of restricted stock because their effect would be anti-dilutive due to the Company's net loss. Since the Company had a net loss in each of the periods presented, basic and diluted net loss per common share are the same.

The table below provides potential shares outstanding that were not included in the computation of diluted net loss per common share, as the inclusion of these securities would have been anti-dilutive:

| | As of September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Shares issuable upon exercise of stock options | 2,812,752 | 1,986,201 |
| Non-vested shares under restricted stock grants | 1,323,859 | 848,859 |

***Note 3—Investments in Marketable Securities***

Investments in marketable securities consisted of the following as of September 30, 2020 and December 31, 2019 (in thousands):

| | September 30, 2020 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | $ 11,115 | $ 4 | $ — | $ 11,119 |
| Commercial paper | 42,061 | 2 | — | 42,063 |
| Asset-backed securities | 1,501 | — | — | 1,501 |
| Total marketable securities | $ 54,677 | $ 6 | $ — | $ 54,683 |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | $ 7,397 | $ 3 | $ — | $ 7,400 |
| Commercial paper | 31,913 | 7 | (1) | 31,919 |
| Asset-backed securities | 13,446 | 11 | — | 13,457 |
| Total marketable securities | $ 52,756 | $ 21 | $ (1) | $ 52,776 |

Unrealized gains and losses on marketable securities are recorded as a separate component of accumulated other comprehensive gain included in stockholders' equity. Realized gains (losses) are included in interest income (expense) in the statement of operations and comprehensive loss on a specific identification basis. There were no marketable securities with a maturity of greater than one year for either period presented. To date, the Company has not recorded any impairment charges on marketable securities related to other-than-temporary declines in market value.

Accretion of bond discount on marketable securities and interest income on marketable securities is recorded as interest income on the statement of operations and comprehensive loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 — Quoted market prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables presents fair value of the Company's marketable securities (in thousands):

| | Fair Value Measurement as of September 30, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| U.S. treasury securities | $ 11,119 | $ — | $ — | $ 11,119 |
| Commercial paper | — | 42,063 | — | 42,063 |
| Asset-backed securities | — | 1,501 | — | 1,501 |
| Total assets | $ 11,119 | $ 43,564 | $ — | $ 54,683 |

| | Fair Value Measurement as of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| U.S. treasury securities | $ 7,400 | $ — | $ — | $ 7,400 |
| Commercial paper | — | 31,919 | — | 31,919 |
| Asset-backed securities | — | 13,457 | — | 13,457 |
| Total assets | $ 7,400 | $ 45,376 | $ — | $ 52,776 |

**Note 4—Property and Equipment**

Property and equipment, net consisted of (in thousands):

| | As of September 30, 2020 | As of December 31, 2019 |
|---|---|---|
| Leasehold improvements | $ 68 | $ 68 |
| Office furniture and fixtures | 48 | 48 |
| Office equipment | 52 | 31 |
| Manufacturing equipment | 17 | — |
| Construction in process | 2,638 | 2,027 |
| | 2,823 | 2,174 |
| Accumulated depreciation | (115) | (84) |
| Total property and equipment, net | $ 2,708 | $ 2,090 |

The Company has recorded an asset classified as construction in process associated with the construction of a product assembly and packaging line that would be placed into service for commercial manufacturing upon future regulatory product approval.

**Note 5—Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (in thousands):

| | As of September 30, 2020 | As of December 31, 2019 |
|---|---|---|
| Compensation and related costs | $ 1,271 | $ 1,195 |
| Clinical trials and drug development | 840 | 733 |
| Construction in process | 455 | — |
| Professional fees | 222 | 89 |
| Interest expense | 211 | — |
| Other accrued expenses and other current liabilities | 100 | 19 |
| Total accrued expenses and other current liabilities | $ 3,099 | $ 2,036 |

**Note 6—Leases**

Effective January 1, 2019, the Company accounts for its leases under ASC 842, *Leases (Topic 842)*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease, if available, otherwise at the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recorded when incurred.

In calculating the right-of-use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term. The Company does not act as a lessor or have any leases classified as financing leases.

The Company leases office space in West Chester, Pennsylvania under an agreement classified as an operating lease that expires in May 2021. On July 1, 2019, the Company entered into a lease for 5,829 square feet of office space located in West Chester, Pennsylvania. On March 12, 2020 the Company entered into an amendment to the lease agreement. The amendment expands the original premises to include 5,372 square feet of additional office space increasing the total rentable premise to 11,201 square feet of space. For the first six months following the commencement date of September 1, 2020, the base rent is based on the square footage of the original premises. The initial term will expire on September 1, 2027. Base rent over the initial term is approximately $2.4 million, and the Company is also responsible for its share of the landlord's operating expense. As a result, the right-of-use asset associated with the property lease expiring May 2021 was fully amortized over the revised remaining useful life. In addition, the useful life of associated leasehold improvements was accelerated to reflect the expected abandonment of the property, such that they were fully amortized when the property was vacated. At the commencement date of the new lease, the Company recorded a right-of-use asset of $1.9 million and a lease liability of $1.9 million on the condensed balance sheet.

The components of lease expense are as follows (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Operating lease: | | | | |
| Operating lease costs | $ 35 | $ 71 | $ 141 | $ 152 |
| Short-term lease costs | 3 | 4 | 16 | 14 |
| Total rent expense | $ 38 | $ 75 | $ 157 | $ 166 |

Maturities of the Company's operating lease, excluding short-term leases, as of September 30, 2020 are as follows (in thousands):

| | |
|---|---|
| Remainder of 2020 | $ 93 |
| 2021 | 384 |
| 2022 | 344 |
| 2023 | 350 |
| 2024 | 355 |
| Thereafter | 942 |
| Total undiscounted lease liability | 2,468 |
| Less: Imputed interest | (472) |
| Operating lease liability | $ 1,996 |

The weighted-average remaining term of the Company's operating lease was 6.7 years and the weighted-average discount rate used to measure the present value of the Company's operating lease liability was 6.27% as of September 30, 2020.

**Note 7—Debt**

On March 10, 2020 (the "Effective Date"), the Company entered into (i) a mezzanine loan and security agreement (the "Mezzanine Loan Agreement") with Silicon Valley Bank, as administrative agent and collateral agent (the "Agent"), and Silicon Valley Bank and West River Innovation Lending Fund VIII, L.P., as lenders (the "Mezzanine Lenders"), pursuant to which the

Mezzanine Lenders have agreed to lend the Company up to $50.0 million in a series of term loans, and (ii) a loan and security agreement (the "Senior Loan Agreement", and together with the Mezzanine Loan Agreement, the "Loan Agreements") with Silicon Valley Bank, as lender (the "Senior Lender", and together with the Mezzanine Lenders, the "Lenders"), pursuant to which the Senior Lender has agreed to provide the Company with a revolving line of credit of up to $5.0 million. Upon entering into the Loan Agreements, the Company borrowed $35.0 million in term loans from the Mezzanine Lenders (the "Term A Loan").

On October 26, 2020, the Company entered into (i) the first amendment to the Mezzanine Loan Agreement (the "Mezzanine Loan Amendment") and (ii) the first amendment to the Senior Loan Agreement (the "Senior Loan Amendment" and together with the Mezzanine Loan Amendment the "Loan Agreement Amendments") with the Lenders.

Under the terms of the Mezzanine Loan Agreement, as amended, the Company may, at its sole discretion, borrow from the Mezzanine Lenders up to an additional $15.0 million in term loans in two tranches of $5.0 million (the "Term B1 Loan") and $10.0 million (the "Term B2 Loan"), respectively. The Term B1 Loan and Term B2 Loan, together with the Term A Loan, are referred to herein as the "Term Loans." The Term B1 Loan will be available for draw if the FDA accepts the Company's resubmitted NDA for VP-102 on or prior to March 31, 2021 until the earlier of March 31, 2021 or the occurrence of an event of default. The Term B2 Loan will be available for draw if the conditions for the Term B1 Loan are met, the Company receives approval from the FDA of the NDA for VP-102 prior to September 30, 2021 and the Company maintains compliance with the minimum liquidity covenant until the earlier of September 30, 2021 or the occurrence of an event of default.

Under the terms of the Senior Loan Agreement, as amended, the Company may, at its sole discretion, borrow from the Senior Lender one or more advances on the revolving credit line (the "Revolving Loans", and together with the Term Loans, the "Loans") in an aggregate amount not to exceed the lesser of (i) 85% of the aggregate amount then-contained in the Company's eligible accounts receivable and (ii) $5.0 million. The Senior Loan Agreement provides for the Company to make three anniversary payments of $25,000 each in addition to the $25,000 due upon the Effective Date for an aggregate of $100,000 in total anniversary payments. In the event the Senior Loan Agreement is terminated prior to maturity, any unpaid portion of the total anniversary payments are due immediately. The Company recorded the total anniversary fee payment obligation at inception. As of September 30, 2020, $100,000 of anniversary payments were recorded within other current liabilities within the Company's accompanying balance sheet.

The Company's obligations under the Senior Loan Agreement and the Mezzanine Loan Agreement, as amended, are secured by, respectively, a first priority perfected security interest and second priority perfected security interest in substantially all of the Company's current and future assets, other than its intellectual property (except rights to payment from the sale, licensing or disposition of such intellectual property). The Company has also agreed not to encumber its intellectual property assets, except as permitted by the Loan Agreements.

All of the Loans mature on March 1, 2024 (the "Maturity Date"). The Term Loans will be interest-only through March 31, 2022, followed by 24 equal monthly payments of principal and interest; provided that if the Company draws the Term B Loan, the Term Loans will be interest-only through September 30, 2022, followed by 18 equal monthly payments of principal and interest. The Term Loans will bear interest at a floating per annum rate equal to the greater of (i) 7.25% and (ii) the sum of (a) the prime rate reported in The Wall Street Journal on the last business day of the month that immediately precedes the month in which the interest will accrue, plus (b) 2.50%. The Revolving Loans will bear interest at a floating per annum rate equal to the greater of (i) 6.00% and (ii) the sum of (a) the prime rate reported in The Wall Street Journal on the last business day of the month that immediately precedes the month in which the interest will accrue, plus (b) 1.25%.

Under the terms of the Mezzanine Loan Agreement, as amended, the Company will be required to make a final payment fee of $3,750,000 payable on the earlier of (i) the Maturity Date, (ii) the acceleration of any Term Loans, or (iii) the prepayment of the Term Loans (the "Final Payment"). The Company is recording the final payment fee using the effective interest rate method over the term of the Term Loan with an increase in long-term debt. The Company may prepay all, or any portion of the Term Loans upon 5 business days' advance written notice to the Agent, provided that the Company will be obligated to pay a prepayment fee equal to (i) $1.5 million if prepaid on or before October 26, 2021, (ii) $1.0 million if prepaid between October 27, 2021 and October 26, 2022, and (iii) $0.5 million if prepaid between October 27, 2022 and October 26, 2023 and (iv) no prepayment fee if prepaid after October 26, 2023 (each, a "Prepayment Fee").

The Company may terminate the revolving credit line under the Senior Loan Agreement at any time upon three business days' advance written notice to the Senior Lender. If the Company terminates the revolving credit line prior to the Maturity Date, it must pay to the Senior Lender an early termination fee of $50,000 (the "Termination Fee").

Under the Loan Agreements, as amended, the Company is subject to a number of affirmative and restrictive covenants, including covenants regarding maintaining a specified minimum liquidity ratio, delivery of financial statements, maintenance of inventory, payment of taxes, maintenance of insurance, protection of intellectual property rights, dispositions of property, business combinations or acquisitions, incurrence of additional indebtedness or liens, investments and transactions with affiliates, and, beginning as of March 31, 2022, achieving minimum levels of trailing six-month net product revenues, among other customary covenants. As of September 30, 2020 the Company is in compliance with all covenants.

Upon the occurrence of certain events, including but not limited to the Company's failure to satisfy its payment obligations under the Loan Agreements, the breach of certain of its other covenants under the Loan Agreements, or the occurrence of a material adverse change, cross defaults to other indebtedness or material agreements, judgment defaults and defaults related to failure to maintain governmental approvals failure of which to maintain could result in a material adverse effect, the Agent and the Lenders will have the right, among other remedies, to declare all principal and interest immediately due and payable, to exercise secured party remedies, to receive the Final Payment and Termination Fee and, if the payment of principal and interest is due prior to the Maturity Date, to receive the applicable Prepayment Fee. The Loan Agreements also include subjective acceleration clauses that permit the Lenders to accelerate the maturity date under certain circumstances, including a material adverse change in the Company's business, operations, or financial condition or a material impairment of the prospect of repayment of the Company's obligations to the Mezzanine Lenders. Pursuant to the Loan Agreement Amendments, the Company is subject to a minimum liquidity covenant defined as the balance of the of the Company's unrestricted cash, cash equivalents, and marketable securities in accounts maintained at Silicon Valley Bank being greater than one and one half times the Company's aggregate outstanding obligations to the Mezzanine Lenders.

The Company believes that, without additional financing, it is probable that it will not be compliance with its minimum liquidity ratio covenant at some point in the next twelve months. In accordance with FASB ASC 470, since the Mezzanine Loan Agreement contains subjective acceleration clauses and the assessment that it is probable that the minimum liquidity ratio covenant will not be met, the Company has classified all outstanding principal and final payment fees as a current liability in the accompanying balance sheet as of September 30, 2020.

Upon entering into the Loan Agreement, the Company received proceeds of $35.0 million in term loans and incurred debt discount and issuance costs of $3.3 million, including the final payment fee of $2.7 million, classified as a contra-liability on the condensed balance sheet. The Company incurred additional debt issuance costs related to the revolving credit line of $0.1 million, classified as other non-current assets in the condensed balance sheet. These costs related to the revolving credit line are being amortized to interest expense over the life of the loans using the straight-line method.

For the three and nine months ended September 30, 2020, the Company recognized interest expense of $0.9 million and $2.0 million, respectively, of which $0.6 million and $1.4 million was interest on the term loan and $0.3 million and $0.6 million, respectively, was non-cash interest expense related to the amortization of deferred debt issuance costs and accrual of the final payment fee.

The following table summarizes the composition of debt as reflected on the balance sheet as of September 30, 2020 (in thousands):

| | | |
|---|---|---|
| Gross proceeds | $ | 35,000 |
| Accrued final payment fee | | 2,625 |
| Unamortized debt discount and issuance costs | | (2,645) |
| Total short-term debt, net | $ | 34,980 |

In the event the Company maintains compliance with its minimum liquidity covenant to avoid an acceleration of payments, the aggregate maturities of debt as of September 30, 2020 are as follows (in thousands):

| | | |
|---|---|---|
| Remainder of 2020 | $ | — |
| 2021 | | — |
| 2022 | | 13,125 |
| 2023 | | 17,500 |
| 2024 (1) | | 4,375 |
| | $ | 35,000 |

(1) Excludes the final payment fee due at time of maturity.

**Note 8—Stock-Based Compensation**

Stock-based compensation expense, which includes expense for both employees and non-employees, has been reported in the Company's condensed statements of operations for the three and nine months ended September 30, 2020 and 2019 as follows (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Research and development | $ 152 | $ 146 | $ 543 | $ 430 |
| General and administrative | 1,079 | 759 | 2,938 | 2,101 |
| Total stock-based compensation | $ 1,231 | $ 905 | $ 3,481 | $ 2,531 |

***Stock Options***

The following table summarizes the Company's stock option activity for the nine months ended September 30, 2020:

| | Number of shares | Weighted average exercise price | Weighted average remaining contractual life (in years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Outstanding as of December 31, 2019 | 1,914,545 | $ 9.14 | 8.5 | $ 12,953,956 |
| Granted | 1,086,204 | 10.56 | | |
| Exercised | (58,549) | 7.73 | | |
| Forfeitures | (125,377) | 10.78 | | |
| Expired | (4,071) | 15.13 | | |
| Outstanding as of September 30, 2020 | 2,812,752 | $ 9.63 | 8.4 | $ 1,920,501 |
| Options vested and exercisable as of September 30, 2020 | 975,634 | $ 8.01 | 7.3 | $ 1,127,517 |

As of September 30, 2020, the total unrecognized compensation related to unvested stock option awards granted was $11.7 million, which the Company expects to recognize over a weighted-average period of 2.8 years.

The Company utilizes a designated broker to process exercises of stock options. During the third quarter of 2020, the Company issued 51,049 shares pursuant to the exercise of vested stock options. The Company did not receive the net proceeds from that exercise from the designated broker until October 2020. Those net proceeds are reflected as a stock subscription receivable as of September 30, 2020 in the condensed balance sheet.

***Restricted Stock***

Pursuant to an Amended and Restated Stock Purchase Agreement (the "Amended and Restated Agreement") between the Company and its former Chief Scientific Officer ("CSO"), 848,859 shares held by the former CSO are subject to repurchase at $0.0001 per share in the event the CSO ceases to be a consultant. These shares will be released from the repurchase option on the earliest to occur of (i) a change in control, (ii) regulatory approval of the Company's new drug application for cantharidin, (iii) commercial sale of products and (iv) a covered termination, as defined in the Amended and Restated Agreement.

In November 2019 and August 2020, the Company granted 300,000 and 250,000 restricted stock units, respectively to its executive officers. The restricted stock units vest 50% upon receipt of regulatory approval of the Company's new drug application for VP-102 for the treatment of molluscum (the "Approval Date") and 50% shall vest on the one year anniversary of the Approval Date subject to the holders' continuous service through each applicable date.

The following is a summary of changes in the status of non-vested RSUs:

| | Number of shares | Weighted average grant date fair value |
|---|---|---|
| Non-vested as of December 31, 2019 | 1,148,859 | $ 4.35 |
| Granted | 250,000 | 8.17 |
| Forfeitures | (75,000) | 15.71 |
| Non-vested as of September 30, 2020 | 1,323,859 | $ 4.42 |

No compensation expenses have been recognized for these nonvested restricted stock units and the shares subject to the Amended and Restated Agreement as these shares are performance based and the triggering event was not determined to be probable as of September 30, 2020. As of September 30, 2020, the total unrecognized compensation expense related to the restricted stock units and shares subject to the Amended and Restated Agreement was $5.9 million.

**Note 9—Related Party Transactions**

The Company has entered into a services agreement ("SA") with PBM Capital Group, LLC ("PBM") an affiliate of PBM Capital Investments, LLC, to engage PBM for certain business development, operations, technical, contract, accounting and back office support services. Paul B. Manning, who is the Chairman and Chief Executive Officer of PBM and the current chairman of the Company's Board of Directors, and certain entities affiliated with Mr. Manning, continue to be the Company's largest stockholder on a collective basis.

On January 1, 2019 and October 1, 2019, the SA was amended to reduce the monthly management fee to $26,333 and $5,000, respectively, as a result of a reduction in services provided by PBM.

For the three months ended September 30, 2020 and 2019, the Company incurred expenses under the SA of $15,000 and $79,000, respectively. For the nine months ended September 30, 2020 and 2019, the Company incurred expenses under the SA of $45,000 and $0.2 million, respectively.

**Note 10—Commitments and Contingencies**

The Company is involved in ordinary, routine legal proceedings that are not considered by management to be material. In the opinion of Company counsel and management, the ultimate liabilities resulting from such legal proceedings will not materially affect the financial position of the Company or its results of operations or cash flows.

**Note 11—License and Collaboration Agreements**

In August 2020, the Company entered into an option agreement with Torii Pharmaceutical Co., Ltd. ("Torii") for the development and commercialization of the Company's product candidates for the treatment of molluscum contagiosum and common warts in Japan, including VP-102 (the "Option Agreement"). Torii paid the Company $0.5 million to secure the exclusive option. Torii may exercise the option to obtain exclusive license rights until the later of six months after the effective date of the Option Agreement, or ten business days after the Company provides notice to Torii that the FDA has accepted the resumbission of the NDA. The $0.5 million is included in deferred revenue as of September 30, 2020 in the condensed balance sheet.

In August 2020, the Company entered into an exclusive license agreement with Lytix Biopharma AS ("Lytix") for the use of licensed technology to research, develop, manufacture, have manufactured, use, sell, have sold, offer for sale, import, and otherwise commercialize products for use in all malignant and pre-malignant dermatological indications, other than metastatic melanoma and metastatic merkel cell carcinoma (the" Lytix Agreement"). As part of the Lytix Agreement, the Company paid Lytix a one-time up-front fee of $0.3 million and is required to make a one-time $2.3 million payment when Lytix achieves a near term regulatory milestone. The $0.3 million was recognized in research and development expense in the condensed statement of operations for the three and nine months ended September 30, 2020. The Company is also obligated to pay up to $111.0 million contingent on achievement of specified development, regulatory, and sales milestones, as well as tiered royalties based on worldwide annual net sales ranging in the low double digits to the mid-teens, subject to certain customary reductions. The Company's obligation to pay royalties expires on a country-by-country and product-by-product basis on the later of the expiration or abandonment of the last to expire licensed patent covering LTX-315 anywhere in the world and expiration of regulatory exclusivity for LTX-315 in such country. Additionally, all upfront fees and milestone based payments received by the Company from a sublicensee will be treated as net sales and will be subject to the royalty payment obligations under the Lytix Agreement, and all royalties received by the Company from a sublicensee shall be shared with Lytix at a rate that is initially 50% but decreases based on the stage of development of LTX-315 at the time such sublicense is granted.

**Note 12—Subsequent Event**

On October 26, 2020, the Company entered into (i) the Mezzanine Loan Amendment and (ii) the Senior Loan Amendment with the Lenders. The terms of the Loan Agreements, as amended, are described above in Note 7—Debt.

## 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 in conjunction with (i) our unaudited interim condensed financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2018 and 2019 included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (the "SEC") on March 13, 2020. Our financial statements have been prepared in accordance with U.S. GAAP.*

*We own various U.S. federal trademark applications and unregistered trademarks, including our company name. All other trademarks or trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this report are referred to without the symbols ® and ™, but such references should not be construed as an indication that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.*

### Forward-Looking Statements

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," "may," "plan," "seek" or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. In evaluating our business, you should carefully consider the information set forth in this Quarterly Report under Part II - Item 1A "Risk Factors," and in our other filings with the SEC.*

### Overview

We are a dermatology therapeutics company committed to the development and commercialization of novel treatments that provide meaningful benefit for people living with skin diseases. Our lead product candidate, VP-102, is a proprietary drug-device combination of our topical solution of cantharidin, a widely recognized, naturally sourced agent to treat topical dermatological conditions, administered through our single-use precision applicator. We are initially developing VP-102 for the treatment of molluscum contagiosum, or molluscum, a highly contagious and primarily pediatric viral skin disease, and common warts. There are currently no products approved by the U.S. Food and Drug Administration, or FDA, nor is there an established standard of care for either of these diseases, resulting in significant undertreated populations in two of the largest unmet needs in dermatology. In addition to patent protection we are seeking, VP-102 has the potential to be the first FDA-approved product for molluscum and for its active pharmaceutical ingredient, or API, to be characterized as a new chemical entity, or NCE, with the five years of non-patent regulatory exclusivity associated with that designation. We believe VP-102 has the potential to qualify for pediatric exclusivity in common warts, which would provide for an additional six months of non-patent exclusivity.

In January 2019, we reported positive top-line results from our Phase 3 CAMP-1 and CAMP-2 pivotal trials with VP-102 for the treatment of molluscum. Both clinical trials evaluated the safety and efficacy of VP-102 compared to placebo. In each trial, we observed that a clinically and statistically significant proportion of subjects treated with VP-102 achieved complete clearance of all treatable molluscum lesions compared to subjects treated with placebo. VP-102 was well-tolerated in both trials, with no serious adverse events reported in VP-102 treated subjects. CAMP-1 was conducted under a special protocol assessment, or SPA, agreement with the FDA. Based on the results from these trials, we submitted a new drug application, or NDA, to the FDA for VP-102 for the treatment of molluscum in September 2019. In November 2019, we received notice that the FDA accepted the NDA for filing, with a Prescription Drug User Fee Act, or PDUFA, goal date of July 13, 2020. In July 2020, we received a Complete Response Letter, or CRL, from the FDA for our NDA. The CRL indicated the need for additional information regarding certain aspects of the chemistry, manufacturing and controls, or CMC, process for the drug/device combination as well as human factors validation. The FDA did not identify any clinical deficiencies. A Type A meeting was held with the FDA to discuss the issues that were identified in the CRL and the resubmission of the NDA for VP-102. We intend to resubmit our NDA for VP-102 for the treatment of molluscum in the first quarter of 2021.

In June 2019, we announced positive topline results from our COVE-1 Phase 2 open label clinical trial of VP-102 for the treatment of verruca vulgaris, or common warts. Based on the results of the COVE-1 trial, and following an End-of-Phase 2 meeting with the FDA we planned to initiate two Phase 3 clinical trials in the first half of 2020. However, as previously disclosed, we have decided to defer initiation of those clinical trials.

In addition, we are also developing VP-102 for the treatment of external genital warts. We initiated a Phase 2 clinical trial evaluating the optimal dose regimen, efficacy, safety and tolerability of VP-102 in patients with external genital warts in June 2019. We expect to report topline data results from this trial in the second half of 2020. In addition, we are conducting necessary drug development activities for VP-103, our second cantharidin-based product candidate, and had planned to initiate a Phase 2 clinical trial in subjects with plantar warts in mid-2020. However, as previously disclosed, we have decided to defer initiation of those clinical trials. We retain exclusive, royalty-free rights to our product candidates across all indications.

Our strategy is to advance VP-102 through regulatory approval and self-commercialize in the United States for the treatment of several skin diseases. We intend to build a specialized sales organization in the United States focused on pediatric dermatologists, dermatologists, and select pediatricians. In the future, we also intend to develop VP-102 for commercialization in additional geographic regions, either alone or together with a strategic partner.

Since our inception in 2013, our operations have focused on developing VP-102, organizing and staffing our company, business planning, raising capital, establishing our intellectual property portfolio and conducting clinical trials. We do not have any product candidates approved for sale and have not generated any revenue from product sales. We have funded our operations primarily through the sale of equity and equity-linked securities and through borrowing under our loan agreement with Silicon Valley Bank.

On June 19, 2018, we completed an IPO of common stock, which resulted in the issuance and sale of 5,750,000 shares of common stock at a public offering price of $15.00 per share, generating net proceeds of $78.4 million after deducting underwriting discounts and other offering costs. On March 10, 2020, we entered into (i) a mezzanine loan and security agreement, or the Mezzanine Loan Agreement, with Silicon Valley Bank, as administrative agent and collateral agent, or the Agent, and Silicon Valley Bank and West River Innovation Lending Fund VIII, L.P., as lenders, or the Mezzanine Lenders, pursuant to which the Mezzanine Lenders have agreed to lend us up to $50.0 million in a series of term loans, and (ii) a loan and security agreement, or the Senior Loan Agreement, and together with the Mezzanine Loan Agreement, the Loan Agreements, with Silicon Valley Bank, as lender, or the Senior Lender, and together with the Mezzanine Lenders, the Lenders, pursuant to which the Senior Lender has agreed to provide us a revolving line of credit of up to $5.0 million. We subsequently entered into amendments to the Loan Agreements in October 2020, or the Loan Agreement Amendments. Upon entering into the Loan Agreements, we borrowed $35.0 million in term loans from the Mezzanine Lenders. The availability of an additional $5.0 million in term loans is subject to FDA acceptance of our NDA for VP-102 for the treatment of molluscum prior to March 31, 2021. The availability for an additional $10.0 million in term loans is subject to (i) FDA approval of our NDA for VP-102 for the treatment of molluscum prior to September 31, 2021, and (ii) compliance with a minimum liquidity covenant.

We believe that our existing cash, cash equivalents and marketable securities as of September 30, 2020 will be sufficient to support our planned operations, at least through the fourth quarter of 2021.

Since inception, we have incurred significant operating losses. For the nine months ended September 30, 2020 and 2019, our net loss was $29.7 million and $20.6 million, respectively. As of September 30, 2020, we had an accumulated deficit of $90.9 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- pursue regulatory approvals for VP-102 for the treatment of molluscum, and eventually for the treatment of common warts, external genital warts or any other indications we may pursue for VP-102, as well as for VP-103;
- ultimately establish a commercialization infrastructure and scale up external manufacturing and distribution capabilities to commercialize any product candidates for which we may obtain regulatory approval, including VP-102 and VP-103;
- continue our ongoing clinical programs evaluating VP-102 for the treatment of common warts and external genital warts as well as initiate and complete additional clinical trials, as needed;
- initiate clinical trials evaluating VP-103 for the treatment of plantar warts;
- seek to discover and develop additional product candidates;
- seek to in-license or acquire additional product candidates for other dermatological conditions;
- adapt our regulatory compliance efforts to incorporate requirements applicable to marketed products;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, manufacturing and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and

- incur additional legal, accounting and other expenses in operating as a public company.

**Services Agreement with PBM Capital Group, LLC**

We have entered into a services agreement, or SA, with PBM Capital Group, LLC, or PBM an affiliate of PBM Capital Investments, LLC, to engage PBM for certain business development, operations, technical, contract, accounting and back office support services. Paul B. Manning, who is the Chairman and Chief Executive Officer of PBM and the current chairman of our Board of Directors, and certain entities affiliated with Mr. Manning, continue to be our largest stockholder on a collective basis.

On January 1, 2019 and October 1, 2019, the SA was amended to reduce the monthly management fee to $26,333 and $5,000, respectively, as a result of a reduction in services provided by PBM.

For the three months ended September 30, 2020 and 2019, we incurred expenses under the SA of $15,000 and $79,000, respectively. For the nine months end September 30, 2020 and 2019, we incurred expenses under the SA of $45,000 and $237,000, respectively.

**Recent Licensing Arrangements**

On August 7, 2020, we entered into an exclusive license agreement, or the Lytix Agreement, with Lytix Biopharma AS, or Lytix, pursuant to which we obtained a worldwide, exclusive, royalty-bearing license, with the right to sublicense, for certain technology of Lytix to research, develop, manufacture, have manufactured, use, sell, have sold, offer for sale, import and otherwise commercialize LTX-315 for use in all malignant and pre-malignant dermatological indications, other than metastatic melanoma and metastatic merkel cell carcinoma. Our right to manufacture the active pharmaceutical ingredient is limited to certain instances, and Lytix is obligated to manufacture and supply our clinical and commercial needs for such active pharmaceutical ingredient. We are obligated to use commercially reasonable efforts to develop and to commercialize the product, which development and commercialization will be overseen by a joint steering committee. Lytix has agreed not to pursue any products in the field of dermatology other than LTX-315 for use in metastatic melanoma and metastatic merkel cell carcinoma. Lytix has granted us an exclusive option to negotiate for an exclusive license for use of LTX-315 in additional dermatological indications.

In connection with entering the Lytix Agreement, we made an initial payment of $250,000. Additionally, we are obligated to pay a near term regulatory milestone payment of $2.3 million, up to $111.0 million contingent on achievement of specified development, regulatory, and sales milestones, and tiered royalties based on worldwide annual net sales ranging in the low double digits to the mid-teens, subject to certain customary reductions. Our obligation to pay royalties expires on a country-by-country and product-by-product basis on the later of the expiration or abandonment of the last to expire licensed patent covering LTX-315 anywhere in the world and expiration of regulatory exclusivity for LTX-315 in such country. Additionally, all upfront fees and milestone based payments received by us from a sublicensee will be treated as net sales and will be subject to the royalty payment obligations under the Lytix Agreement, and all royalties received by us from a sublicensee shall be shared with Lytix at a rate that is initially 50% but decreases based on the stage of development of LTX-315 at the time such sublicense is granted.

On August 4, 2020, we entered into an Option Agreement with Torii Pharmaceutical Co., Ltd., or Torii, for the development and commercialization of the Company's product candidates for the treatment of molluscum contagiosum and common warts in Japan, including VP-102. In August 2020, Torii paid us $0.5 million to secure the exclusive option. Torii may exercise the option to obtain exclusive license rights until the later of six months after the effective date of the Option Agreement, or ten businesss days after we provide notice to Torii that the FDA has accepted an NDA submission for VP-102.

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

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of expenses during the reporting periods. In accordance with GAAP, we evaluate our estimates and judgments on an ongoing basis.

There have been no material changes in our significant accounting policies to those previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 other than the adoption of two FASB Accounting Standards Updates. See Note 2 to our condensed financial statements for a description of recent accounting pronouncements applicable to our condensed financial statements.

**Components of Results of Operations**

***Revenue***

We have not generated any revenue since inception.

***Operating Expenses***

*Research and Development Expenses*

Research and development expenses consist of expenses incurred in connection with the discovery and development of our product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our clinical trials and preclinical studies;
- manufacturing and supply scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial supply and commercial supply, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- expenses relating to regulatory activities; and
- laboratory materials and supplies used to support our research activities.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase over the next several years as we increase personnel costs, including stock-based compensation, initiate and conduct Phase 3 clinical trials of VP-102 in patients with common warts, conduct our ongoing Phase 2 trial with VP-102 in external genital warts, initiate a Phase 2 trial with VP-103 in plantar warts and conduct other clinical trials and prepare regulatory filings for our product candidates.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from our product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the impact on the timing of our clinical trials due to the COVID-19 pandemic;
- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;
- the duration of patient follow-up; and
- the results of our clinical trials.

Our expenditures are subject to additional uncertainties, including the manufacturing process for our product candidates, the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. We may never succeed in achieving regulatory approval for our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of our product candidates. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, or to make any necessary modifications to the VP-102 single-use applicator, we could be required to expend significant additional financial resources and time on the completion of clinical and/or pharmaceutical quality/CMC development.

*General and Administrative Expenses*

General and administrative expenses consist principally of salaries and related costs for personnel in executive and administrative functions, including stock-based compensation, travel expenses and recruiting expenses. Other general and administrative expenses include market research costs, insurance costs, and professional fees for audit, tax and legal services.

We anticipate that our general and administrative expenses, including payroll and related expenses, will increase in the future as we continue to increase our headcount to support the expected growth in our business, expand our operations and organizational capabilities, and prepare for potential commercialization of VP-102 for the treatment of molluscum, if successfully developed and approved. We also anticipate increased expenses associated with general operations, including costs related to audit, tax and legal services, director and officer insurance premiums, and investor relations costs.

**Results of Operations for the three months ended September 30, 2020 and 2019**

The following table summarizes our results of operations for the three months ended September 30, 2020 and 2019 (in thousands):

| | For the Three Months Ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| **Operating expenses:** | | | |
| Research and development | $ 4,988 | $ 3,049 | $ 1,939 |
| General and administrative | 4,649 | 3,494 | 1,155 |
| Total operating expenses | 9,637 | 6,543 | 3,094 |
| **Loss from operations** | (9,637) | (6,543) | (3,094) |
| **Other income (expense):** | | | |
| Interest income | 69 | 453 | (384) |
| Interest expense | (918) | — | (918) |
| Total other (expense) income | (849) | 453 | (1,302) |
| **Net loss** | **$ (10,486)** | **$ (6,090)** | **$ (4,396)** |

*Research and Development Expenses*

Research and development expenses were $5.0 million for the three months ended September 30, 2020, compared to $3.1 million for the three months ended September 30, 2019. The increase of $1.9 million was primarily attributable to increased CMC costs related to our development of VP-102 for molluscum and increased compensation costs, partially offset by decreased clinical costs related to our development of VP-102 for molluscum, external genital warts, and common warts.

*General and Administrative Expenses*

General and administrative expenses were $4.6 million for the three months ended September 30, 2020, compared to $3.5 million for the three months ended September 30, 2019. The increase of $1.2 million was primarily a result of expenses related to increased headcount, an increase in insurance, professional fees and other operating costs, and an increase in expenses related to pre-commercial activities for VP-102.

*Interest Income*

Interest income for the periods presented consisted primarily of interest earned on our cash, cash equivalents and marketable securities. The decrease of $0.4 million was primarily a result of lower interest income due to lower interest rates.

*Interest Expense*

Interest expense for the three months ended September 30, 2020 consisted of interest expense on the Mezzanine Loan Agreement as noted in Note 7 to our condensed financial statements.

**Results of Operations for the Nine Months Ended September 30, 2020 and 2019**

The following table summarizes our results of operations for the nine months ended September 30, 2020 and 2019 (in thousands):

| | For the Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| **Operating expenses:** | | | |
| Research and development | $ 13,401 | $ 11,464 | $ 1,937 |
| General and administrative | 14,747 | 10,626 | 4,121 |
| Total operating expenses | 28,148 | 22,090 | 6,058 |
| **Loss from operations** | (28,148) | (22,090) | (6,058) |
| **Other income (expense):** | | | |
| Interest income | 473 | 1,523 | (1,050) |
| Interest expense | (2,042) | (3) | (2,039) |
| Total other (expense) income | (1,569) | 1,520 | (3,089) |
| **Net loss** | **$ (29,717)** | **$ (20,570)** | **$ (9,147)** |

*Research and Development Expenses*

Research and development expenses were $13.4 million for the nine months ended September 30, 2020, compared to $11.5 million for the nine months ended September 30, 2019. The increase was primarily attributable to increased CMC costs related to our development of VP-102 for molluscum and increased compensation costs, partially offset by decreased clinical costs related to our development of VP-102 for molluscum.

*General and Administrative Expenses*

General and administrative expenses were $14.7 million for the nine months ended September 30, 2020, compared to $10.6 million for the nine months ended September 30, 2019. The increase of $4.1 million was primarily a result of expenses related to increased headcount, an increase in insurance, professional fees and other operating costs, and an increase in expenses related to pre-commercial activities for VP-102.

*Interest Income*

Interest income for the periods presented consisted primarily of interest earned on our cash, cash equivalents and marketable securities. The decrease of $1.0 million was primarily a result of lower interest income due to lower interest rates.

*Interest Expense*

Interest expense for the nine months ended September 30, 2020 consisted of interest expense on the Mezzanine Loan Agreement as noted in Note 7 to our condensed financial statements.

**Liquidity and Capital Resources**

Since our inception, we have not generated any revenue and have incurred net losses and negative cash flows from our operations. We have financed our operations since inception through sales of our convertible preferred stock and the sale of our common stock in our IPO, receiving aggregate gross proceeds of $123.2 million and net proceeds of $114.9 million and most recently, $35.0 million of gross proceeds from the Mezzanine Loan Agreement noted below.

As of September 30, 2020, we had cash, cash equivalents and marketable securities of $71.9 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation.

On March 10, 2020, we entered into (i) the Mezzanine Loan Agreement with the Agent and the Mezzanine Lenders, pursuant to which the Mezzanine Lenders have agreed to lend us up to $50.0 million in a series of term loans, and (ii) the Senior Loan Agreement with the Senior Lender, pursuant to which the Senior Lender has agreed to provide us a revolving line of credit of up to $5.0 million. Upon entering into the Loan Agreements, we borrowed $35.0 million in term loans from the Mezzanine Lenders. On October 26, 2020, we entered into the Loan Agreement Amendments. The availability of an additional $5.0 million in term loans is subject to FDA acceptance of our NDA for VP-102 for the treatment of molluscum prior to March 31, 2021. The availability of an additional $10.0 million in term loans is subject to (i) FDA approval of our NDA for VP-102 for the treatment of molluscum prior to September 30, 2021, and (ii) compliance with a minimum liquidity covenant. See Note 7 to our condensed financial statements for additional information.

We are subject to a number of affirmative and restrictive covenants pursuant to the Loan Agreements, as amended, including covenants regarding achieving minimum liquidity requirements, delivery of financial statements, maintenance of inventory, payment of taxes, maintenance of insurance, protection of intellectual property rights, dispositions of property, business combinations or acquisitions, incurrence of additional indebtedness or liens, investments and transactions with affiliates, and, beginning as of March 31, 2022, achieving minimum levels of trailing six-month net product revenues, among other customary covenants. As of September 30, 2020, we are in compliance with all covenants.

Upon the occurrence of certain events, including but not limited to our failure to satisfy our payment obligations under the Loan Agreements, the breach of certain of our other covenants under the Loan Agreements, or the occurrence of a material adverse change, cross defaults to other indebtedness or material agreements, judgment defaults and defaults related to failure to maintain governmental approvals failure of which to maintain could result in a material adverse effect, the Agent and the Lenders will have the right, among other remedies, to declare all principal and interest immediately due and payable, to exercise secured party remedies, to receive the Final Payment and Termination Fee and, if the payment of principal and interest is due prior to the Maturity Date, to receive the applicable Prepayment Fee.

We believe that without additional financing, it is probable that we will not be in compliance with the minimum liquidity ratio covenant at some point in the next twelve months. In accordance with FASB ASC 470, since the Mezzanine Loan Agreement contains subjective acceleration clauses and assessment that it is probable that the minimum liquidity ratio covenant will not be met, we have classified all outstanding principal and final payment fees as a current liability in the accompanying balance sheet as of September 30, 2020. Even if we are not in compliance with the minimum liquidity covenant and the debt becomes due, we believe that we currently have sufficient funds to meet our operating requirements for at least the next twelve months from the issuance of these financial statements.

***Cash Flows***

The following table summarizes our cash flows for the nine months ended September 30, 2020 and 2019 (in thousands):

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Net cash used in operating activities | $ (24,108) | $ (19,195) |
| Net cash (used in) / provided by investing activities | (2,722) | 19,305 |
| Net cash provided by financing activities | 34,787 | 219 |
| Net increase in cash and cash equivalents | $ 7,957 | $ 329 |

*Operating Activities*

During the nine months ended September 30, 2020, operating activities used $24.1 million of cash, primarily resulting from a net loss of $29.7 million partially offset by non-cash stock-based compensation of $3.5 million and non-cash interest of $0.6 million. Net cash provided by changes in operating assets and liabilities consisted primarily of an increase in accrued expenses and other current liabilities of $1.2 million, and a decrease in prepaid expenses and other current assets of $0.9 million, partially offset by a decrease in accounts payable of $1.0 million.

During the nine months ended September 30, 2019, operating activities used $19.2 million of cash, primarily resulting from a net loss of $20.6 million partially offset by non-cash stock-based compensation of $2.5 million. Net cash provided by changes in operating assets and liabilities consisted primarily of an increase in accrued expenses of $1.2 million primarily related to manufacturing scale-up activities, offset by an increase in prepaid expenses and other assets of $1.6 million as a result of up-front

payments for the clinical development of VP-102 for the treatment of common warts as well as an annual premium payment for directors and officers liability insurance.

*Investing Activities*

During the nine months ended September 30, 2020, net cash used in investing activities of $2.7 million was due to purchases of marketable securities of $59.5 million and purchase of property and equipment of $0.9 million, partially offset by sales and maturities of marketable securities of $57.7 million.

During the nine months ended September 30, 2019, net cash provided by investing activities of $19.3 million was due to sales and maturities of marketable securities of $93.2 million partially offset by purchases of marketable securities of $73.2 million.

*Financing Activities*

During the nine months ended September 30, 2020, net cash provided by financing activities of $34.8 million was primarily due to the proceeds from issuance of debt of $34.5 million, net of third-party fees and issuance costs.

During the nine months ended September 30, 2019, net cash provided by financing activities of $219,000 was the result of proceeds from exercises of common stock options.

***Funding Requirements***

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, continue or initiate clinical trials of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to sales, marketing, manufacturing and distribution. Furthermore, we expect to incur additional costs associated with operating as a public company. Accordingly, we may need to obtain additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We believe that our existing cash, cash equivalents, and marketable securities as of September 30, 2020 will be sufficient to support our planned operations, at least through the fourth quarter of 2021. Our future capital requirements will depend on many factors, including:

- the costs, timing and outcome of regulatory review of our product candidates;
- the scope, progress, results and costs of our clinical trials;
- the scope, prioritization and number of our research and development programs;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to maintain compliance with covenants under our loan agreements;
- the extent to which we acquire or in-license other product candidates and technologies;
- the impact on the timing of our clinical trials and our business due to the COVID-19 pandemic;
- the costs to scale up and secure manufacturing arrangements for commercial production; and
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our product candidates.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of a product candidate that we do not expect to be commercially available in the near term, if at all. We may not achieve significant revenue from product sales prior to the use of the net proceeds from our IPO. Accordingly, we may need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

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. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic. To

the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interests of existing stockholders may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional 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 to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

***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.

**Contractual Obligations and Commitments**

As of September 30, 2020, there have been no material changes to our contractual obligations and commitments as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 except as discussed below.

On March 12, 2020 we entered into an amendment to the lease agreement dated July 1, 2019 for office space in West Chester, Pennsylvania. The amendment expanded the original premises to include 5,372 square feet of additional office space increasing the total rentable premise to 11,201 square feet of space. For the first six months following the commencement date, the base rent is based on the square footage of the original premises. The initial term will expire on September 1, 2027. Base rent over the initial lease term is $2.4 million, and we are also responsible for our share of the landlord's operating expense.

On August 7, 2020, we entered into the Lytix Agreement described above.

**JOBS Act Transition Period**

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) December 31, 2023, which is the end of the fiscal year following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenues of at least $1.07 billion or (c) in which we are deemed to be a "large accelerated filer" under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, or (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

**Item 3. Quantitative and Qualitative Disclosures About Market Risks**

There have been no material changes to our quantitative and qualitative disclosures about market risk as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

The uncertainty that exists with respect to the economic impact of the global COVID-19 pandemic has introduced significant volatility in the financial markets during and subsequent to our quarter ended September 30, 2020.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures*

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

As previously disclosed under "Item 9A. Controls and Procedures" in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019, we identified the following deficiencies that existed as of December 31, 2019 and continued to exist at September 30, 2020. A material weakness is a control deficiency or a combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

- We identified a material weakness in our information technology ("IT") general controls (collectively, "ITGCs") and related IT-dependent process level controls, which are part of our internal control over financial reporting. Based on this evaluation, management identified a deficiency within our ITGCs related to ineffective segregation of duties within one of our IT systems, which is part of our internal control over financial reporting. Process-level controls that were dependent upon information derived from this IT system were also determined to be ineffective. These deficiencies were the result of an inadequate IT risk assessment process that did not identify the risks associated with ineffective segregation of duties within the IT system.

Because of the deficiencies noted above, in consultation with management, our principal executive officer and principal financial officer concluded that we did not maintain effective internal control over financial reporting and our disclosure controls and procedures were not effective as of both December 31, 2019 and September 30, 2020, based on the criteria in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

*Remediation of Material Weakness*

Our Board of Directors and management take internal control over financial reporting and the integrity of our financial statements seriously. We have taken steps to remediate the deficiency related to ineffective segregation of duties within this IT system in 2020 by transferring key administrative access to a third-party IT vendor in April 2020. Management believes that this effort will remediate the material weakness. However, the material weakness in our internal control over financial reporting will not be considered remediated until other ITGCs and process-level controls that were dependent upon information derived from the general ledger application operate for a sufficient period of time and can be tested and concluded by management to be designed and operating effectively. We cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. In addition, as we continue to evaluate and work to improve our internal control over financial reporting related to the identified material weakness, management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above.

*Changes in Internal Control over Financial Reporting*

Other than in connection with remediation plan outline above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 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

On July 14, 2020, plaintiff Isaiah Potter, or Potter, filed a putative class action complaint captioned Potter v. Verrica Pharmaceuticals Inc., in the U.S. District Court for the Eastern District of Pennsylvania against the Company and certain of its executive officers, or the Defendants. The complaint alleges that Defendants violated federal securities laws by, among other things, failing to disclose certain supposed safety risks attendant to the VP-102 drug-device and likely delays to regulatory approval of VP-102. The complaint seeks unspecified compensatory damages on behalf of Potter and all other persons and entities that purchased or otherwise acquired our securities between September 16, 2019 and June 29, 2020. The Company disputes these claims and intends to defend the matter vigorously. The Company cannot estimate the reasonably possible loss or range of loss that may result from this action, if any.

### Item 1A. Risk Factors

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Securities and Exchange Commission on March 13, 2020. Except as described below, there have been no material changes to the risk factors described in that report.

***In light of our receipt of a CRL from the FDA regarding our NDA for VP-102, the U.S. regulatory requirements and timing for VP-102 approval are uncertain, and we may never obtain regulatory approval in the United States.***

In September 2019, we submitted an NDA to the FDA for VP-102 for the treatment of molluscum. In July 2020, we received a CRL from the FDA for our NDA. The CRL indicated the need for additional information regarding certain aspects of the chemistry, manufacturing and controls, or CMC, process for the drug/device combination as well as human factors validation. As a result, the approval of our NDA for VP-102 has been delayed and may never occur.

A Type A meeting was held with the FDA to discuss the issues that were identified in the CRL and the resubmission of the NDA for VP-102. We intend to resubmit our NDA for VP-102 for the treatment of molluscum in the first quarter of 2021.

We cannot predict the outcome of any interactions with the FDA nor can we guarantee when, or if, we will be successful in receiving regulatory approval for VP-102.

The U.S. regulatory requirements and timing for VP-102 approval are uncertain at this time, and we may never obtain regulatory approval of VP-102 or any of our other product candidates in the United States. If we do not obtain approval for VP-102 or are delayed in obtaining such approval, it would have a material adverse effect on our operations and financial condition and it may cause us to be unable to make additional borrowings or maintain compliance with our financial covenants under our Loan Agreements, as amended.

***COVID-19 has adversely impacted and could continue to adversely impact our business.***

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States. As a direct result of COVID-19, we have decided to delay the initiation of our Phase 3 clinical trials to evaluate VP-102 in subjects with common warts as well as our planned Phase 2 clinical trial to evaluate VP-103 in subjects with plantar warts until conditions are appropriate. As COVID-19 continues to rapidly evolve in the United States, we may experience continued and additional disruptions or impairments that could severely impact our business, supply chain, clinical trials, or ability to obtain regulatory approval for, or commercialize, VP-102, including:

- delays or inability to obtain raw material, ingredients, or components;
- possible capacity constraints at key suppliers and service providers which could impact process validation schedules or ability to build launch stock;
- further delays or difficulties in enrolling patients in our clinical trials;
- further delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;

- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;

- delays in review of regulatory filings by regulatory authorities or our ability to generate responses to the FDA inquiries per the CRL regarding our filed NDA for VP-102;

- delays or limitations in our ability to commercialize VP-102, regardless of regulatory approval, including challenges involving the healthcare providers who would prescribe and administer VP-102, delays in launch preparation activities, or delays in establishing, and subsequently deploying, a commercial field force;

- limitations on travel or access to third-party facilities imposed or recommended by federal or state governments, employers, suppliers, and others; and

- limitations of internal and third-party employee resources that would otherwise be focused on the above activities, including sickness of employees or their families, travel restrictions or social distancing, or the desire of employees to avoid contact with large groups of people.

We are closely monitoring the pandemic and do not yet know the extent to which COVID-19 may materially impact our business, supply chain, clinical trials and regulatory filings, which will depend on future developments which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

***The trading price of the shares of our common stock may be volatile, and purchasers of our common stock could incur substantial losses.***

Our stock price may be volatile. The stock market in general and the market for biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price paid for the shares. The market price for our common stock may be influenced by many factors, including:

- the commencement, enrollment or results of our clinical trials of VP-102 for the treatment of common warts and external genital warts and any future clinical trials we may conduct, or changes in the development status of our product candidates;

- any delay in our regulatory filings for VP-102 for the treatment of molluscum, including our planned resubmission of our NDA in response to the CRL we received in July 2020, and common warts or any other product candidate we may develop, including VP-103, and any adverse development or perceived adverse development with respect to the applicable regulatory authority's review of such filings, including without limitation the FDA's issuance of a "refusal to file" letter or a request for additional information;

- adverse results from, delays in or termination of clinical trials;

- adverse regulatory decisions, including failure to receive regulatory approval of our product candidates, such as the CRL related to VP-102 for the treatment of molluscum that we received from the FDA in July 2020;

- unanticipated serious safety concerns related to the use of VP-102 or any other product candidate;

- changes in financial estimates by us or by any securities analysts who might cover our stock;

- conditions or trends in our industry;

- changes in the market valuations of similar companies;

- stock market price and volume fluctuations of comparable companies and, in particular, those that operate in the biopharmaceutical industry;

- publication of research reports about us or our industry or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- investors' general perception of our company and our business;
- recruitment or departure of key personnel;
- overall performance of the equity markets;
- trading volume of our common stock;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- significant lawsuits, including patent or stockholder litigation;
- changes in the structure of healthcare payment systems;
- general political and economic conditions; and
- other events or factors, many of which are beyond our control.

In addition, in the past, stockholders have initiated class action lawsuits against pharmaceutical and biotechnology companies following periods of volatility in the market prices of these companies' stock. For example, a purported class action complaint was filed against us and certain of our executive officers alleging violations of certain federal securities laws. This case, and additional litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources from our business.

**Item 2. Recent Sales of Unregistered Securities and Use of Proceeds**

**(a) Recent Sales of Unregistered Equity Securities**

None.

**(b) Use of Proceeds from Initial Public Offering of Common Stock**

Not applicable.

**(c) Issuer Purchases of Equity Securities**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 3.1 (1) | Amended and Restated Certificate of Incorporation. |
| 3.2 (2) | Amended and Restated Bylaws. |
| 10.1+ | Exclusive License Agreement, by and between the Registrant and Lytix Biopharma AS, dated as of August 7, 2020 |
| 31.1 | Certification of Chief Executive Officer and President (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification of Chief Financial Officer (Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1* | Certifications of Chief Executive Officer and President (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101 | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| !01.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

(1) Previously filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018, and incorporated herein by reference.

(2) Previously filed as Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-225104), filed with the Securities and Exchange Commission on May 22, 2018, and incorporated herein by reference.

+ Certain portions of this exhibit, indicated by asteriks, have been omitted pursuant to Item 601(b)(10) of Regulation S–K because they are not material and would likely cause competitive harm to the registrant if publicly disclosed.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**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.

**VERRICA PHARMACEUTICALS INC.**

November 9, 2020

By: /s/ Ted White
Ted White
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ A. Brian Davis
A. Brian Davis
Chief Financial Officer
(Principal Financial Officer)

*FINAL EXECUTION COPY*

**CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED**

# EXCLUSIVE LICENSE AGREEMENT

This **Exclusive License Agreement** (this "**Agreement**") is entered into as of August 7, 2020 (the "**Effective Date**") by and between **Lytix Biopharma AS**, a company incorporated in Norway, with its principal place of business at Hoffsveien 4, 02775 Oslo, Norway ("**Lytix**"), and **Verrica Pharmaceuticals, Inc.**, a Delaware corporation, with its principal place of business at 10 North High Street, Suite 200, West Chester, Pennsylvania 19380 United States ("**Verrica**"). Lytix and Verrica are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

## RECITALS

**Whereas**, Verrica is a biopharmaceutical company focused on development of products for various dermatological indications;

**Whereas**, Lytix is a biopharmaceutical company that possesses certain intellectual property rights related to oncolytic peptides known LTX-315 for use in immuno-oncology; and

**Whereas**, Lytix desires to grant Verrica an exclusive license under such intellectual property rights, and Verrica desires to obtain a license under such intellectual property rights, to research, develop and commercialize the Products in the Licensed Field in the Territory (each capitalized term as defined below), subject to the terms and conditions set forth herein.

## AGREEMENT

**Now, Therefore**, in consideration of the foregoing premises and the mutual promises, covenants and conditions contained in this Agreement, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

## ARTICLE 1
## DEFINITIONS

1.1 "**Accounting Standards**" means (a) United States generally accepted accounting principles (GAAP) or (b) Norwegian Generally Accepted Accounting Principles; in each case, as consistently applied throughout the organization of a particular entity and its Affiliates.

1.2 "**Act**" means, as applicable, the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§301 et seq., and all related rules, regulations and guidelines, as any of the foregoing may be amended from time to time.

1.3 "**Additional Indications**" means any Dermatological Indications for which a license has been requested by Verrica pursuant to Section 2.3.

1.4 "**Adverse Event**" means any untoward medical occurrence in a patient or human clinical investigation subject administered Product, including occurrences that do not necessarily have a causal relationship with Product.

1.5 "**Affiliate**" means, with respect to any Entity (including a Party to this Agreement), any other Entity controlled by, controlling, or under common control with such Entity. For the purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") means direct or indirect ownership, including ownership by one or more trusts with substantially the same beneficial interests, of 50% or more of the outstanding voting and equity rights of such Entity, or possession of the power to direct the management and policies of such Entity. [***]

1.6 "**Anti-Corruption Laws**" means the U.S. Foreign Corrupt Practices Act (15 U.S.C. §§78dd-1, et. seq.), as amended, the Organization for Economic Co-operation and Development (OECD) Convention on combating bribery of foreign public officials in international business transactions, and any other applicable anti-corruption laws.

1.7 "**API**" means, with respect to any Product, the active pharmaceutical ingredient of such Product.

1.8 "**Applicable Laws**" means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidances, ordinances, judgments, decrees, directives, injunctions, orders, permits of or from any court, arbitrator, Regulatory Authority or governmental agency or authority having jurisdiction over or related to the subject item, including the Act, and Anti-Corruption Laws.

1.9 "**Business Day**" means a day other than Saturday, Sunday or a day on which banking institutions in (a) West Chester, Pennsylvania, United States or (b) Oslo, Norway are required or permitted to be closed.

1.10 "**Calendar Quarter**" means the period beginning on the Effective Date and ending on the last day of the Calendar Quarter in which the Effective Date falls, and thereafter each successive period of three (3) consecutive calendar months ending on the last day of March, June, September, or December, respectively; *provided* that the final Calendar Quarter ends on the last day of the Term.

1.11 "**Calendar Year**" means the period beginning on the Effective Date and ending on December 31 of the Calendar Year in which the Effective Date falls, and thereafter each successive period of twelve (12) consecutive calendar months beginning on January 1 and ending on December 31; provided that the final Calendar Year ends on the last day of the Term.

1.12 "**Change of Control**" means with respect to either Party: (a) the acquisition by a Third Party, in one transaction or a series of related transactions, of direct or indirect beneficial ownership of more than fifty percent (50%) of the then outstanding voting equity securities or other voting interests of such Party (excluding, for clarity, an acquisition by a Third Party where the stockholders of such acquired Entity immediately prior to such transaction hold a majority of the voting shares of outstanding capital stock of the surviving entity immediately following such

transaction); (b) any merger, reorganization, consolidation or business combinations involving such Party, as a result of which a Third Party acquires direct or indirect beneficial ownership of more than fifty percent (50%) of the voting power of the surviving entity immediately after such merger, reorganization or consolidation; or (c) a sale of all or substantially all of the assets of such Party in one transaction or a series of related transactions to a Third Party. The acquiring or combining Third Party in any of (a), (b) or (c), and any of such Third Party's Affiliates (whether in existence as of or any time following the applicable transaction, but other than the acquired Party and its Affiliates as in existence prior to the applicable transaction or Affiliates it controls after the applicable transaction) are referred to collectively herein as the "**Acquirer**".

1.13 "**Clinical Trial**" means any human clinical trial including any Phase 1 Clinical Trial, Phase 2 Clinical Trial, Phase 3 Clinical Trial, any study incorporating more than one of these phases, or any human clinical trial commenced after Regulatory Approval.

1.14 "**Combination Product**" means: (a) a pharmaceutical product that consists of a Product and at least one other clinically active ingredient that is not a Product in a fixed dose combination; or (b) any combination of a Product and another pharmaceutical product that contains at least one other clinically active ingredient that is not a Product, where such products are not formulated together but are sold together as a single product in a single package and invoiced as one product. The other clinically active ingredient(s) in clause (a) and the other pharmaceutical product(s) in clause (b) are each referred to as the "**Other Product(s)**".

1.15 "**Commercialization**" means any and all activities undertaken before and after obtaining Regulatory Approvals relating specifically to the pre-launch, launch, promotion, detailing, medical education and medical liaison activities, marketing, pricing, reimbursement, sale, and distribution of Products, including strategic marketing, sales force detailing, advertising, Product support, all customer support, Product distribution and invoicing and sales activities; *provided*, *however*, "**Commercialization**" shall exclude any activities relating to the Manufacture of Product. "**Commercialize**" and "**Commercializing**" shall have the correlative meanings.

1.16 "**Commercially Reasonable Efforts**" means, with respect to the efforts and resources to be expended, or considerations to be undertaken by a Party with respect to any objective, activity, or decision to be undertaken hereunder with respect to the Development, Manufacture, or Commercialization of Product, the reasonable efforts and resources to accomplish such objective, activity or decision that would be comparable with the efforts and resources normally used by a similarly situated company in the pharmaceutical industry in the exercise of its reasonable business discretion to accomplish a similar objective, activity or decision for a compound or product owned by it, or to which it has similar rights, which compound or product is at a similar stage in its development or product life, is in a similar therapeutic and disease area and is of similar market potential, and in all cases taking into account: (i) the expected and actual competitiveness of alternative products (including generic or biosimilar products) under development or sold in the marketplace; (ii) the nature and extent of expected and actual market exclusivity (including patent coverage, regulatory and other exclusivity) of Product; (iii) the likelihood of Regulatory Approval given the regulatory structure involved, including regulatory or data exclusivity; and (iv) other relevant factors, including legal, medical, scientific, technical and commercial factors.

1.17 "**Competing Product**" means [***]

1.18 "**Competing Program**" has the meaning set forth in Section 0.

1.19 "**Confidential Information**" of a Party means any and all Information of such Party that is disclosed to the other Party under this Agreement, whether in oral, written, graphic, or electronic form. In addition, all Information disclosed by Verrica pursuant to the [***] (the "**Confidentiality Agreement**") is deemed to be Verrica's Confidential Information disclosed hereunder, and all Information disclosed by Lytix pursuant to the Confidentiality Agreement is deemed to be Lytix's Confidential Information disclosed hereunder; provided that any use or disclosure of any Information that is authorized under 0 shall not be restricted by, or be deemed a violation of, the Confidentiality Agreement.

1.20 "**Control**" means, with respect to any product, Know-How, Patents or other intellectual property rights, possession by a Party of the ability (whether by ownership, license or other right, other than pursuant to a license granted to such Party under this Agreement) to grant access to, to grant use of, or to grant a license or a sublicense to, such Know-How, Patents or intellectual property rights without violating the terms of any agreement or other arrangement with any Entity.

1.21 "**Cost of Goods**" means, with respect to Product:

**(a)** in the case of Product (or any precursuor or intermediate thereof) manufactured by one or more Third Parties, the actual costs of such Manufacturing invoiced by such Third Party manufacturer to Lytix, [***]; and

**(b)** in the case of Product manufactured by a Party or its Affiliate, the (i) actual fully allocated cost of manufacturing such Product, determined in accordance with Accounting Standards, [***].

1.22 "**Cover**" means, with respect to a Patent and a Product, that the manufacture, use, offer for sale, sale or import of a Product, absent a license to such Patent or Product, would infringe a Valid Claim in such Patent; *provided, however,* that in determining whether a claim of a pending Patent application would be infringed, it is treated as if issued in the form then currently being prosecuted. "**Covered**" and "**Covering**" have the correlative meanings.

1.23 "**Dermatological Indication**" means any Indication for disorders or diseases of the skin, hair or nails.

1.24 "**Development**" means all activities conducted after the Effective Date relating to preclinical and clinical trials, toxicology testing, statistical analysis, publication and presentation of study results with respect to Products, and the reporting, preparation and submission of regulatory applications for obtaining, registering and maintaining Regulatory Approval of Products; *provided*, *however*, "**Development**" shall exclude any activities relating to the Manufacture of Product. "**Develop**" and "**Developing**" shall have the correlative meanings.

1.25 "**Development Plan**" has the meaning set forth in Section 0.

1.26 "**Dispute**" has the meaning set forth in Section 0.

1.27 "**Distributor**" means a Third Party distributor of Product that: (a) has no royalty or other payment obligations to Verrica or any of its Affiliates that are calculated based on amounts invoiced or received by such Third Party for sales of Product; or (b)(i) does not take title to Product, (ii) does not invoice Product sales to Third Party customers, and (iii) is responsible only for inventory management and distribution with respect to Product on behalf of Verrica or its Affiliate.

1.28 "**Divestiture**" means the sale or transfer of rights to the Competing Program or Competing Product, as applicable, to a Third Party without receiving a continuing share of profit, royalty payment or other economic interest in the success of such Competing Program or Competing Product, as applicable.

1.29 "**Dollar**" means a U.S. dollar, and "**$**" shall be interpreted accordingly.

1.30 "**Drug Master File**" means a drug master file document or right of reference to a drug master file (if the applicable Party does not have a copy of the underlying drug master file) containing detailed information about the manufacturing of the Product, including information describing the manufacturing site, the manufacturing facility, the operating procedures, the personnel, the Manufacture, storage and control of the Product, starting materials and intermediates.

1.31 "**Drug Product**" means, with respect to any Product, the filled, finished and packaged form of such Product.

1.32 "**EMA**" means the European Medicines Agency or the equivalent Regulatory Authority with competent jurisdiction in the United Kingdom or any successor entity to either of the foregoing.

1.33 "**EU**" means the European Union member states as then constituted. As of the Effective Date, the European Union member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

1.34 "**Entity**" means any corporation, general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

1.35 "**Exclusive License**" has the meaning set forth in Section 2.3(a).

1.36 "**Exclusive Negotiation Period**" has the meaning set forth in Section 2.3(b).

1.37 "**Executive Officer**" means, with respect to Lytix, its Chief Executive Officer, and with respect to Verrica, its Chief Executive Officer, or, in either case, a designee with senior decision-making authority.

1.38 "**FD&C Act**" means the U.S. Federal Food, Drug and Cosmetic Act, as amended.

1.39 "**FDA**" means the United States Food and Drug Administration, or any successor agency thereto in the United States

1.40 "**First Commercial Sale**" means, with respect to a Product in the Licensed Field in the Territory, the first commercial transfer or disposition for value of such Product by or on behalf of Verrica to a Third Party in the Licensed Field in the Territory after such Product has received Regulatory Approval in the Licensed Field in the Territory.

1.41 "**GCP**" means current good clinical practices as established by the FDA and as interpreted by relevant ICH guidelines; in each case, as amended from time to time.

1.42 "**GLP**" means current good laboratory practices as established by the FDA and as interpreted by relevant ICH guidelines; in each case, as amended from time to time.

1.43 "**GMP**" means current good manufacturing practices and standards for the production of drugs and finished pharmaceuticals, as set forth in 21 C.F.R. Parts 210 and 211, as amended from time to time and as interpreted by relevant ICH guidelines.

1.44 "**Governmental Authority**" means any multi-national, national, federal, state, local, municipal, provincial or other governmental authority of any nature (including any governmental division, prefecture, subdivision, department, agency, bureau, branch, office, commission, council, court or other tribunal).

1.45 "**ICH**" means the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use.

1.46 "**IND**" means an investigational new drug application, clinical trial application, clinical trial exemption, or similar application or submission filed with or submitted to a Regulatory Authority in a jurisdiction that is necessary to commence human clinical trials in such jurisdiction, including any such application filed with the FDA pursuant to 21 C.F.R. Part 312.

1.47 "**Indemnified Party**" has the meaning set forth in Section 0.

1.48 "**Indemnifying Party**" has the meaning set forth in Section 0.

1.49 "**Indication**" means a separately defined, well-categorized class of human disease or condition for which a separate MAA (including any extensions or supplements) is required to be filed with a Regulatory Authority. For clarity, if an MAA is approved for a Product in a particular Indication and patient population, a label expansion for such Product to include such Indication in a different patient population shall not be considered a separate Indication.

1.50 "**Information**" means any data, results, technology, business or financial information or information of any type whatsoever, in any tangible or intangible form, including know-how, trade secrets, practices, techniques, methods, processes, inventions, developments, specifications, formulations, formulae, software, algorithms, marketing reports, expertise,

technology, test data (including pharmacological, biological and chemical, biochemical, clinical test data and data resulting from non-clinical studies), CMC information, stability data and other study data and procedures.

1.51 "**Infringement**" has the meaning set forth in Section 0.

1.52 "**Initial Indication**" means all malignant and pre-malignant Dermatological Indications, other than the Retained Field.

1.53 "**Initiation**" means, with respect to a clinical trial, first dosing of the first subject in such clinical trial.

1.54 "**Invention**" means any invention or discovery, whether or not patentable, that is made, conceived, generated or reduced to practice, in whole or in part, in the course and as a result of the conduct of the activities contemplated by this Agreement.

1.55 "**Joint Invention**" means any Invention made jointly by (a) on the one hand, one or more employees, consultants or contractors of Verrica or any of its Affiliates or Sublicensees, and (b) on the other hand, one or more employees, consultants or contractors of Lytix or any of its Affiliates.

1.56 "**Joint Patents**" means Patents claiming Joint Inventions.

1.57 "**JSC**" has the meaning set forth in Section 0.

1.58 "**Know-How**" means any and all tangible and intangible (a) techniques, technology, practices, trade secrets, inventions (whether patentable or not), methods, knowledge, know-how, skill, experience, data and results (including pharmacological, toxicological and clinical test data and results), analytical and quality control data, results or descriptions, software and algorithms, and (b) compositions of matter, cells, cell lines, assays, animal models and physical, biological or chemical material; that, in each case, are not in the public domain.

1.59 "**Licensed Field**" means the treatment of (a) the Initial Indication and (b) any Additional Indications the Parties agree to include hereunder pursuant to Section 0. For the avoidance of doubt, Licensed Field does not include the Retained Field.

1.60 "**Licensed Know-How**" means all Know-How that (a) is Controlled by Lytix or its Affiliates as of the Effective Date or during the Term, and (b) is necessary or reasonably useful for the research, Development, Manufacture, or Commercialization of Product in the Licensed Field in the Territory. For clarity, Licensed Know-How includes Lytix Inventions, but excludes Know-How that is specific to the Manufacture of API.

1.61 "**Licensed Patent**" means any Patent that (a) is Controlled by Lytix or its Affiliates as of the Effective Date or during the Term, and (b) Covers (i) a Product or (ii) the Manufacture of a Product. A list of Licensed Patents as of the Effective Date is set forth on Exhibit 0.

1.62 "**Licensed Technology**" means the Licensed Know-How, Licensed Patents, and Licensed Marks.

1.63 "**Licensed Marks**" means all Trademarks that (a) are Controlled by Lytix or its Affiliates as of the Effective Date or during the Term and (b) are used by or on behalf of Lytix as of the Effective Date or during them Term to Develop, Manufacture, or Commercialize Product. A list of Licensed Marks as of the Effective Date is set forth on Exhibit 0.

1.64 "**LTX-315**" means Lytix's oncolytic peptide known as of the Effective Date as LTX-315, as more particularly described on Exhibit 0.

1.65 "**Lytix Indemnitees**" has the meaning set forth in Section 0.

1.66 "**Lytix Inventions**" means any Invention made solely by or on behalf of Lytix, its employees, consultants or contractors, or any of its Affiliates or licensees (other than Verrica).

1.67 "**MAA**" means an application or submission for approval to market a pharmaceutical product filed with the governing Regulatory Authority.

1.68 "**Manufacture**" and "**Manufacturing**" means any activities directed to producing, manufacturing, processing, filling, finishing, packaging, labeling, quality control, quality assurance testing and release, post-marketing validation testing, inventory control and management, storing, shipping, and transporting any Product, including oversight and management of vendors therefor. For clarity, manufacturing process development activities are included within the scope of Manufacturing.

1.69 "**Metastatic Melanoma**" means a skin cancer that began in melanocyte cells and that has metastasized to an internal organ of a patient.

1.70 "**Metastatic Merkel Cell Carcinoma**" means a neuroendocrine carcinoma of the skin that has metastasized to an internal organ of a patient.

1.71 "**NDA**" means a New Drug Application (as more fully defined in 21 CFR 314.5, *et seq.*) filed with the FDA, or any successor application thereto in the United States.

1.72 "**Net Sales**" means, with respect to any Product, the gross amounts invoiced by Verrica and its Affiliates for sales or other dispositions of such Product in the Licensed Field to Third Parties, less the following deductions provided to entities and actually allowed and taken:

[***]

Notwithstanding the foregoing, amounts received or invoiced by Verrica or its Affiliates for the sale of Products among Verrica and its Affiliates shall not be included in the computation of Net Sales hereunder. Net Sales shall be accounted for in accordance with the selling party's Accounting Standards, consistently applied.

Notwithstanding the foregoing, "Net Sales" shall also include any amount received by Verrica or its Affiliates from a Distributor, [***].

Notwithstanding the foregoing, "Net Sales" excludes any amounts invoiced for sales of Products supplied for [***].

For purposes of calculating the Net Sales for Products sold as bundled products, deductions shall be apportioned across all products in the bundle on a fair and reasonable basis, provided that the percentage rebate or discount apportioned to the Product shall not exceed the percentage rebate or discount applied in total to the bundled products. Similarly, the total price payable for a bundled product shall be apportioned between Product and other product within the bundle and determined by the Parties in good faith.

Net Sales for a Combination Product in a country shall be calculated as follows:

**(i)** If the Product and Other Product(s) each are sold separately in such country, Net Sales will be calculated by multiplying the total Net Sales (as described above) of the Combination Product by the fraction A/(A+B), [***].

**(ii)** If the Product is sold independently of the Other Product(s) in such country, but the public or list price of the Other Product(s) cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of such Combination Product by the fraction A/C, where A is the public or list price in such country of such Product sold independently and C is the public or list price in such country of the Combination Product.

**(iii)** If the Other Product(s) are sold independently of the Product therein in such country, but the public or list price of such Product cannot be determined, Net Sales will be calculated by multiplying the total Net Sales (as described above) of such Combination Product by the fraction 1-B/C, where B is the (sum of the) public or list price(s) in such country of the Other Product(s) and C is the gross amount invoiced in such country of the Combination Product.

**(iv)** If neither the Product nor the Other Product(s) is sold independently in such country a market price for the Product and the Other Product(s) shall be negotiated by the Parties in good faith based upon the allocation of costs, overhead and profit as are then incurred for such Combination Product.

1.73 "**Offer**" has the meaning set forth in Section 2.3(b).

1.74 "**Patents**" means (a) all national, regional and international patents and patent applications filed in any country or jurisdiction, including provisional patent applications, (b) all patent applications filed either from such patents and patent applications or from a patent application claiming priority from either of these, including any continuation, continuation-in-part, division, provisional, converted provisional and continued prosecution applications, or any substitute applications, (c) any patent issued with respect to or in the future issued from any such patent applications including utility models, petty patents and design patents and certificates of invention, and (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, reexaminations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications.

1.75 "**Phase 1 Clinical Trial**" means a human clinical trial, that generally provides for the first introduction of a pharmaceutical or biologic product in humans with a purpose of determining safety, metabolism, and pharmacokinetic properties and clinical pharmacology of such product, consistent with the requirements of U.S. 21 C.F.R. § 312.21(a) or (for trial conducted outside the United States) its equivalents in the applicable non-United States jurisdictions.

1.76 "**Phase 2 Clinical Trial**" means a human clinical trial, the principal purpose of which is to explore a variety of doses, dose response, and duration of effect, and to generate evidence of clinical safety, effectiveness and dose ranging for a particular indication or indications in a target patient population, consistent with the requirements of U.S. 21 C.F.R. § 312.21(b) or (for trial conducted outside the United States) its equivalents in the applicable non-United States jurisdictions.

1.77 "**Phase 3 Clinical Trial**" means a human clinical trial, the principal purpose of which is to establish that a product is safe and efficacious for its indicated use, define contraindications, warnings, precautions and adverse reactions that are associated with the product in the dosage range to be prescribed, to support the filing of an application for Regulatory Approval for such product, consistent with the requirements of U.S. 21 C.F.R. §312.21(c) or (for trial conducted outside the United States) its equivalents in the applicable non-United States jurisdictions.

1.78 "**Product**" means, LTX-315, in the form and formulation existing as of the Effective Date or any form and formulation such compound and any salt, ester, hydrate, solvate, prodrug, free acid form, free base form, crystalline form, co-crystalline form, amorphous form, polymorph, chelate, isomer, enantiomer, racemate, stereoisomer, or tautomer of any of the foregoing.

1.79 "**Product Marks**" has the meaning set forth in Section 0.

1.80 "**Region**" means each of the following regions: (a) the United States, Mexico, and Canada, (b) Europe (including Russia), (c) South America, (d) Central America, other than Mexico, (e) Greater China (mainland China, Hong Kong, Macau, and Taiwan), Japan, South Korea, and India, (f) MENA (Middle East, Turkey, and North Africa), (g) Africa, other than MENA, (h) Oceania, and (i) Asia, other than Russia, Greater China, Japan, South Korea, India and Oceania.

1.81 "**Regulatory Approval**" means, with respect to a pharmaceutical product in a particular jurisdiction, all approvals or other permissions from the applicable Regulatory Authority in such jurisdiction necessary to market and sell such product in such jurisdiction, including pricing and reimbursement approvals if required prior to the first marketing or sale of such product in such jurisdiction.

1.82 "**Regulatory Authority**" means any applicable Governmental Authority having the administrative authority to regulate the manufacturing, development, commercialization, reimbursement or pricing, as applicable, for the Product, including Regulatory Approvals, including the FDA and the EMA.

1.83 "**Regulatory Exclusivity**" means any exclusive marketing rights or data exclusivity rights conferred by any Regulatory Authority with respect to a pharmaceutical product other than a Patent, including orphan drug exclusivity, new chemical entity exclusivity, data exclusivity, or pediatric exclusivity.

1.84 "**Regulatory Filings**" means all INDs, NDAs, MAAs, Regulatory Approvals, and other filings (including any Drug Master File (if any)) with, and formal submissions to, Regulatory Authorities, in each case, with respect to Product in any country or other jurisdiction.

1.85 "**Retained Field**" means Metastatic Melanoma and Metastatic Merkel Cell Carcinoma and all other Indications that are not Dermatological Indications.

1.86 "**Right of Reference**" means: (a) in the United States, a "right of reference or use," as such term is defined in 21 C.F.R. 314.3(b); or (b) in any other country or jurisdiction, the equivalent authority to rely upon, and otherwise use, an investigation for the purpose of filing, and conducting a clinical trial under, an IND, or obtaining approval of an NDA, MAA or other Regulatory Approval, including the ability to make available the underlying raw data from the investigation for audit by the applicable Regulatory Authority in such country or other jurisdiction, if necessary.

1.87 "**Royalty Term**" has the meaning set forth in Section 0.

1.88 "**Sublicensee**" means any Affiliate or Third Party that has received a sublicense of the rights granted to Verrica under Section 0, directly or indirectly through one or more tiers, from Verrica or its Affiliate. As used in this Agreement, "Sublicensee" excludes a Distributor.

1.89 "**Supply Agreement**" means, as applicable, the Clinical API Supply Agreement and the Commercial API Supply Agreement.

1.90 "**Term**" has the meaning set forth in Section 0.

1.91 "**Territory**" means all countries of the world.

1.92 "**Third Party**" means any Entity other than Verrica or Lytix or an Affiliate of Verrica or Lytix.

1.93 "**Trademark**" means any word, name, symbol, color, shape, designation or device or any combination thereof, including any trademark, service mark, trade name, trade dress, brand name, product configuration, domain name, logo, design or business symbol, that functions as an identifier of source, origin or membership, whether or not registered, and all statutory and common law rights therein, and all registrations and applications therefor, together with all goodwill associated with, or symbolized by, any of the foregoing.

1.94 "**U.S.**" means the United States of America, including all possessions and territories thereof.

1.95 "**Valid Claim**" means (a) a claim of an issued, unexpired patent within the Licensed Patents that has not been revoked, disclaimed, abandoned or held invalid or unenforceable by a court or other body of competent jurisdiction in an unappealed or unappealable decision and (b) a claim of any patent application within a Licensed Patent which has not been abandoned or finally disallowed without the possibility of appeal or re-filing of the application and has not been pending for a period of more than [***] years.

1.96 "**Verrica Indemnitees**" has the meaning set forth in Section 0.

1.97 "**Verrica Inventions**" means any Invention made solely by or on behalf of Verrica, its employees, consultants or contractors, or any of its Affiliates or Sublicensees.

## ARTICLE 2
## LICENSES AND EXCLUSIVITY

2.1 **License to Verrica**.

**(a) License to Verrica**. Subject to the terms and conditions of this Agreement, Lytix hereby grants Verrica an exclusive (even as to Lytix and its Affiliates), royalty-bearing license, with the right to sublicense through multiple tiers in accordance with Section 0, under the Licensed Technology to research, Develop, Manufacture, have Manufactured, use, sell, have sold, offer for sale, import, and otherwise Commercialize Products in the Licensed Field in the Territory, provided, however, that the foregoing license shall exclude the right to Manufacture and having Manufactured the API except as set forth in any Supply Agreement.

**(b) Sublicenses**.

**(i)** Verrica shall have a right to grant sublicenses under the Licensed Technology, to its Affiliates and to Third Parties.

**(ii)** Each agreement in which Verrica grants a sublicense under the Licensed Technology shall be consistent with the terms and conditions of this Agreement applicable to the scope of the sublicense granted to a Sublicensee and Verrica shall ensure that its Sublicensees comply with the applicable terms and conditions of this Agreement.

**(iii)** Notwithstanding any such sublicense, Verrica shall remain solely liable for the performance of its obligations hereunder, regardless of whether such obligation is delegated, subcontracted, or sublicensed to any of its Affiliates, Subcontractors or Sublicensees.

**(iv)** Verrica shall provide Lytix with (w) a then-current copy of the proposed term sheet with a Sublicensee at least [***] Business Days prior to the expected execution or finalization of such term sheet, (x) a then-current copy of each proposed sublicense agreement with a Sublicensee at least [***] Business Days prior to the expected execution of such sublicense agreement and (y) a true and complete copy of each sublicense agreement with a Sublicensee within [***] days after the execution of such sublicense agreement; *provided*, that, in each case, Verrica may redact certain terms of any such sublicense agreement if such terms are not

(i) related to either Party's rights or obligations under this Agreement, or (ii) necessary for Lytix to verify Verrica's compliance with this Agreement.

**(c) Subcontractors**. Verrica may appoint Distributors and engage subcontractors (including contract research organizations) for the purpose of performing Verrica's obligations, subject to Section 2.1(b)(iii), with respect to the Development, Manufacture, and Commercialization of Product in the Licensed Field in the Territory.

2.2 **Exclusivity**.

**(a) Obligations**. During the Term, Lytix shall not, and shall ensure that its Affiliates do not, independently or for, or with, any Third Party, research, develop, make, have made, use, sell, have sold, offer for sale, import, or otherwise commercialize any product for use in Dermatological Indications, or license, sell, assign, or otherwise grant rights to any Third Party to do any of the foregoing provided, that the obligations under this Section 0 shall not apply to any product in the Retained Field anywhere, or to any product in the Licensed Field in any Region terminated by Verrica pursuant to Section 0, or by Lytix pursuant to 0.

**(b) Acquisition of Competing Program**. If a Third Party becomes an Affiliate of Lytix after the Effective Date through merger, acquisition, consolidation or other similar transaction, and, as of the closing date of such transaction, such Third Party is engaged in the research, Development, Manufacture or Commercialization of a product that, if conducted by such Third Party, would cause Lytix to be in breach of its exclusivity obligations set forth in Section 0 (a "**Competing Program**"), then:

**(i)** if such transaction results in a Change of Control of Lytix, then such new Affiliate may continue such Competing Program and such continuation will not constitute a breach of Lytix's exclusivity obligations set forth above; *provided* that such new Affiliate conducts such Competing Program independently of the activities of this Agreement and does not use or access any of Verrica's intellectual property rights or Confidential Information in the conduct of such Competing Program; and

**(ii)** if such transaction does not result in a Change of Control of Lytix, then Lytix and its new Affiliate will have [***] months from the closing date of such transaction to wind down or complete the Divestiture of such Competing Program, and Lytix's new Affiliate's conduct of such Competing Program during such [***]-month period will not be deemed a breach of Lytix's exclusivity obligations set forth above; *provided* that such new Affiliate conducts such Competing Program during such [***]-month period independently of the activities of this Agreement and does not use or access any of Verrica's intellectual property rights or Confidential Information in the conduct of such Competing Program.

2.3 **Option to License Additional Indication**.

**(a) Right**. Lytix hereby grants to Verrica an exclusive option to negotiate an exclusive license, under the applicable Patents and Information Controlled by Lytix, to develop, use, sell, offer for sale import and commercialize the Product for any Dermatological Indication as an Additional Indication (such license, an "**Exclusive License**"), subject to the remainder of this Section 0.

**(b) Exercise and Negotiation**. Verrica may exercise its exclusive negotiation right under Section 0 by submitting to Lytix a written offer for the proposed terms of such Exclusive License, including the material financial terms and a high-level development plan for the development and commercialization of the Product in the Territory in the applicable Dermatological Indication (an "**Offer**"). If Verrica submits an Offer to Lytix, then Lytix and Verrica shall enter into exclusive good-faith negotiations regarding the commercially reasonable terms for such license for a period of [***] days following Lytix's receipt of such Offer ("**Exclusive Negotiation Period**"). If the Parties agree on commercially reasonable terms for such Exclusive License, then the Parties shall promptly amend this Agreement to include such Exclusive License and reflect such agreed terms associated with such Exclusive License.

**(c) Notice of Third Party Term Sheet.** If a Third party provides Lytix with a written term sheet for obtaining a license to develop and commercialize a Product for Metastatic Melanoma or Metastatic Merkel Cell Carcinoma, then Lytix shall provide Verrica with (x) a copy of the proposed term sheet with a Third Party at least [***] Business Days prior to the expected execution or finalization of such term sheet.

2.4 **No Implied Licenses**. Except as explicitly set forth in this Agreement, neither Party shall be deemed by estoppel or implication to have granted the other Party any license or other right to any intellectual property of such Party.

2.5 **Transfer of Licensed Know-How**. Promptly after the Effective Date, pursuant to a transfer plan agreed to by the Parties through the JSC, Lytix shall provide Verrica with complete and accurate copies of all Licensed Know-How in writing and existence as of the Effective Date. On an ongoing basis thereafter, at least Calendar Quarterly, Lytix shall promptly provide Verrica with complete and accurate copies in writing of all Licensed Know-How generated since the last such transfer under this Section 0, copies of which shall be provided in writing. In addition, Lytix shall, provide reasonable consultation, and assistance for the purpose of transferring to Verrica all such Licensed Know-How to the extent necessary or reasonably useful for Verrica to Develop, Manufacture, or Commercialize Product in the Licensed Field in the Territory, and Verrica shall be responsible for any and all Third Party costs related to such consultation and assistance.

## ARTICLE 3
## GOVERNANCE

3.1 **Joint Steering Committee**.

**(a) Formation and Role**. Promptly, and in any event within [***] days after the Effective Date, the Parties shall establish a joint steering committee (the "**JSC**") to coordinate, oversee, review and discuss the Parties' activities with respect to the research, Development, and Commercialization of Products. For that purpose and to the extent reasonably necessary, the JSC will:

**(i)** discuss the status, progress and results of all Development activities conducted by or on behalf of either Party with respect to Product, both in and outside the Licensed Field, in the Territory;

**(ii)** facilitate communications and discussions between the Parties with respect to the Development Plan;

**(iii)** review, discuss, and approve any proposed amendments or revisions to the Development Plan;

**(iv)** oversee, coordinate, and discuss the status, progress and results of all Manufacturing activities (including process development) conducted by or on behalf of either Party with respect to Product;

**(v)** oversee technology transfer from Lytix to Verrica;

**(vi)** review and discuss significant correspondence to or from a Regulatory Authority (including submissions of Regulatory Filings) that are relevant to Product in both the Licensed Field and the Retained Field;

**(vii)** discuss and oversee Commercialization of Products, including the tracking of sales of Products under Section 0; and

**(viii)** perform such other functions as appropriate to further the purposes of this Agreement, as expressly set forth in this Agreement or as determined by the Parties in writing.

The JSC shall have only the powers expressly assigned to it in this Section 0 and elsewhere in this Agreement, and shall have no power to amend, modify, or waive compliance with this Agreement.

**(b) Members**. Verrica shall appoint [***] representatives to the JSC, and Lytix shall appoint [***] representatives to the JSC. Each JSC representative may be an officer, employee, or representative of the applicable Party having sufficient experience and knowledge of matters arising within the scope of the JSC's responsibilities to make decisions with respect thereto. Each Party may replace its representatives at any time upon written notice to the other Party. The JSC shall have an alternating chairperson selected by the Parties on an annual basis, with the first chairperson convening the initial meeting selected by Lytix. The role of the chairperson shall be to convene and preside at the meetings of the JSC and to ensure the preparation of meeting minutes, but, except as set forth in Section 0, the chairperson shall have no additional powers or rights beyond those held by other JSC representatives.

**(c) Meetings**. The JSC shall meet at least one (1) time per Calendar Quarter, unless the Parties mutually agree in writing to a different frequency for such meetings or no further development is contemplated. Either Party may also call a special meeting of the JSC (by videoconference or teleconference) by at least [***] Business Days' (or fewer, if the Parties agree) prior written notice to the other Party in the event such Party reasonably believes that a significant matter must be addressed prior to the next regularly scheduled meeting, and such Party shall provide the JSC, no later than [***] Business Days prior to the special meeting, with materials reasonably adequate to enable an informed decision. No later than [***] Business Days prior to any meeting of the JSC, the chairperson of the JSC shall prepare and circulate an agenda for such

meeting; *provided, however*, that either Party may propose additional topics to be included on such agenda, either prior to or in the course of such meeting. The JSC may meet in person, by videoconference or by teleconference, as the Parties agree. Each Party shall bear the expense of its respective JSC members' participation in JSC meetings. A reasonable number of additional representatives of a Party may attend meetings of the JSC in a non-voting capacity, provided that such additional members are bound in writing by obligations of confidentiality at least as restrictive as those contained in this Agreement. Meetings of the JSC are effective only if at least one (1) representative of each Party is present or participating in such meeting. The chairperson of the JSC is responsible for preparing reasonably detailed written minutes of all JSC meetings that reflect, without limitation, all material decisions made at such meetings. The JSC chairperson shall send draft meeting minutes to each member of the JSC for review and approval within [***] Business Days after each JSC meeting. Such minutes will be deemed approved unless one or more members of the JSC object to the accuracy of such minutes within [***] Business Days of receipt.

**(d) Decision-Making**. The JSC shall act by unanimous consent of the Parties. The representatives from each Party will each have collectively one (1) vote. If after reasonable discussion and good faith consideration of each Party's view on a particular matter before the JSC, the JSC cannot reach a unanimous decision as to such matter within [***] days after such matter was brought to the JSC for resolution, then such matter shall be referred to Executive Officers for resolution. If the issue is not resolved within [***] days following the referral of such issue to the Executive Officers, then (i) Verrica shall have final decision-making authority with respect to any matters relating solely to, or that solely impact, the Development, Manufacturing, and Commercialization of the Product (but not the API) in the Licensed Field ([***]), and (ii) Lytix shall have final decision-making authority with respect to (A) any matters relating solely to, or that solely impact, the Development, Manufacturing, and Commercialization of the Product outside the Licensed Field, (B) any matters related to the prosecution of the Licensed Patent, or (C) any matters relating to the Manufacture or supply of API ([***]. For clarity, the Parties shall continue to perform all obligations of this Agreement during the foregoing decision-making process.

3.2 **Scope of Authority**. Notwithstanding the establishment and existence of the JSC or any subcommittee, each Party shall retain the rights, powers and discretion granted to it hereunder, and neither the JSC nor any subcommittee is delegated or vested with rights, powers or discretion unless such delegation or vesting is expressly provided herein. The JSC has no decision-making authority with regard to any expansion of the Development or Commercialization activities under this Agreement.

3.3 **Subcommittees**. From time to time, the JSC may establish additional subcommittees to oversee particular projects or activities within the scope of authority of the JSC, as it deems necessary or advisable. Each subcommittee will be composed of an equal number of representatives of each Party, as the JSC determines is appropriate from time to time, and will meet with such frequency as the JSC determines. If, with respect to a matter that is subject to a subcommittee's decision-making authority, the subcommittee cannot reach unanimity, the subcommittee will refer the matter to the JSC for resolution.

## ARTICLE 4
## DEVELOPMENT

4.1 **Development**.

**(a)** **In the Licensed Field**. Verrica has the exclusive right to conduct, and is solely responsible for all aspects of, the Development of Product, including conducting Clinical Trials for Product, in the Licensed Field. As between the Parties, Verrica shall bear all of its costs and expenses incurred in connection with such Development activities.

**(b)** **Development Plan**. Verrica shall Develop Product in the Licensed Field in the Territory pursuant to the Development Plan. Verrica shall provide Lytix with an initial, high level development plan (the "**Initial Development Plan**") within [***] days after the Effective Date. Within [***] days after the Effective Date, Verrica will prepare and submit to the JSC a detailed plan containing the strategy, activities, study designs, timeline and budget for research and Development of the Product in the Licensed Field (the "**First Supplemental Development Plan**," and together with the Initial Development Plan and any subsequent updates pursuant to this Section 4.1, the "**Development Plan**"). The First Supplemental Development Plan shall include among other things, all non-clinical and clinical studies, and regulatory activities with respect to the Product to be conducted by or on behalf of Verrica or its Affiliates or their respective sublicensees in the Licensed Field.

**(c)** **Amendments to the Development Plan**. From time to time during the Term, but at least every [***] months, Verrica shall propose amendments to the Development Plan and submit such proposed amended Development Plan to the JSC for review, discussion, and approval in accordance with Section 0. Each amended Development Plan becomes effective on the date of approval by the JSC. References to the "Development Plan" in this Agreement refer to the Development Plan as then in effect (including all amendments thereto).

**(d)** **In the Retained Field**. Lytix has the exclusive right to conduct, and is solely responsible for all aspects of, the Development of Product, including conducting Clinical Trials for Product, in the Retained Field. As between the Parties, Lytix shall bear all of its costs and expenses incurred in connection with such Development activities.

4.2 **Development Diligence**.

**(a)** Verrica, itself or through its Affiliates, Sublicensees, or Subcontractors, shall use Commercially Reasonable Efforts, at its sole cost and expense, to Develop the Product in the Licensed Field in the Territory, including to achieve the development milestone events by certain target dates contained in the Development Plan. Verrica shall, and Verrica shall cause its Affiliates, Sublicensees and its Subcontractors to, conduct all Development under this Agreement in a professional manner and in compliance with all Applicable Laws, including applicable GLP, cGMP and GCP.

**(b)** Lytix may terminate this Agreement in its entirety if Verrica, itself or through one or more of its Affiliates, Sublicensees, or Third-Party service providers, fails to submit for a pre-IND meeting with the FDA within [***] months after Lytix's IND with the FDA for the

Product has been opened. Lytix may terminate this Agreement in its entirety if Verrica, itself or through one or more of its Affiliates, Sublicensees, or Third-Party service providers, is not Actively Developing the Product in the Licensed Field anywhere in the Territory. "**Actively Developing**" a Product means that Verrica, or any of its Affiliates, Sublicensees, or Third-Party service providers, are engaging in or have engaged within the preceding [***] months in one or more Development-related activities for the Product.

4.3 **Development Updates**. Each Party shall keep the other Party reasonably informed, through the JSC, of the status, progress, and results of all Development activities for Product, both in and outside the Licensed Field, in the Territory. Each Party shall promptly respond to reasonable requests of the other Party for additional Information with respect to such other Party's Development activities for Product, both in and outside the Licensed Field, in the Territory.

4.4 **Records and Reports**. Each Party shall prepare and maintain, or shall cause to be prepared and maintained, in conformity with standard pharmaceutical and biotechnology industry practices and the terms and conditions of this Agreement, complete and accurate written records, accounts, notes, reports and data with respect to all Development activities with respect to Product. Such records shall fully and properly reflect, in good scientific manner appropriate for regulatory and patent purposes, all work done and results achieved in the performance of all Development activities for Product, both in and outside the Licensed Field, in the Territory. Each Party shall document all non-clinical studies and clinical trials in formal written study records, and shall document all manufacturing activities for Products, in each case in accordance with Applicable Laws, including applicable national and international guidelines such as ICH, GCP, GLP and GMP. The Parties shall discuss the status, progress and results of all Development activities with respect to Product, both in and outside the Licensed Field, in the Territory at such JSC meetings.

4.5 **Development Data**.

**(a)** Each Party shall solely own all data, records and reports generated by or on behalf of such Party, its Affiliates or Sublicensees (with respect to Verrica), in the non-clinical and clinical Development of the Product (the "**Product Data**"); *provided*, that neither Party is deemed to conduct Development of the Product on behalf of the other Party. Notwithstanding any provision of this Agreement to the contrary, Product Data that a Party is required to deliver to the other Party under this Agreement shall be limited to Product Data that is (a) Controlled by such Party and (b) that is necessary or reasonably useful to support the Development, Regulatory Approval or Commercialization of the Products.

**(b)** Each Party, shall, on a Calendar Quarterly basis and at no charge to the other Party, as permitted under Applicable Law (including GCP), provide the other Party with a summary of all Product Data not previously transferred under this Section 0. Lytix may disclose and provide copies of such Product Data Controlled by Verrica to Lytix's Affiliates and Third Party licensees that have agreed in writing to share development data with Lytix and Verrica on terms substantially similar to the terms of this Section 4.5. Verrica may disclose and provide copies of such Product Data Controlled by Lytix to Verrica's Affiliates and Sublicensees that have agreed in writing to share development data with Lytix and Verrica on terms substantially similar to the terms of this Section 4.5.

4.6 **Standards of Conduct**. Each Party shall perform, and shall ensure that its Affiliates, Sublicensees and Third-Party contractors perform, the Development activities with respect to Product in good scientific manner, and in compliance in all material respects with the requirements of Applicable Law.

## ARTICLE 5
## REGULATORY

5.1 **Overview**.

**(a) In the Licensed Field**. Verrica has the exclusive right to conduct, and subject to the remainder of this 0, is solely responsible for all aspects of, activities related to (a) setting the regulatory strategy for seeking Regulatory Approvals (including any pricing approvals) for Products in the Licensed Field in the Territory, and (b) seeking and obtaining Regulatory Approvals in the Licensed Field in the Territory. As between the Parties, Verrica shall bear all of its costs and expenses incurred in connection with such regulatory activities.

**(b) In the Retained Field**. Lytix has the exclusive right to conduct, and subject to the remainder of this 0, is solely responsible for all aspects of, activities related to (a) setting the regulatory strategy for seeking Regulatory Approvals (including any pricing approvals) for Products in the Retained Field in the Territory, and (b) seeking and obtaining Regulatory Approvals in the Retained Field in the Territory. As between the Parties, Lytix shall bear all of its costs and expenses incurred in connection with such regulatory activities.

5.2 **Regulatory Responsibilities and Rights of Reference**.

**(a) In the Licensed Field**. Verrica shall prepare, submit, and own all Regulatory Filings for Product in the Licensed Field in the Territory, at Verrica's sole cost and expense. Lytix hereby grants to Verrica a Right of Reference to all Regulatory Filings pertaining to Product submitted by or on behalf of Lytix, including any such Regulatory Filings that are in the possession of any Third Party, subject to the prior written consent of such Third Party. Verrica may use such Right of Reference to Lytix's Regulatory Filings solely for the purpose of seeking, obtaining, and maintaining Regulatory Approval of Product in Licensed Field in the Territory, including in interactions with any Regulatory Authority in connection with Development or Regulatory Approval of Product in the Licensed Field in the Territory. Lytix shall support Verrica, as reasonably requested by Verrica and at Verrica's expense, in seeking, obtaining, and maintaining Regulatory Approvals in the Licensed Field in the Territory, including providing necessary documents or other materials required by Applicable Law to seek, obtain, or maintain Regulatory Approval in the Licensed Field, all in accordance with the terms and conditions of this Agreement. Verrica shall lead all interactions with Regulatory Authorities with respect to Products in the Licensed Field in the Territory. Verrica shall keep Lytix reasonably informed of any material regulatory developments related to Products in the Licensed Field in the Territory. At each regularly scheduled JSC meeting, Verrica shall provide Lytix with a list and schedule of any in-person meeting or teleconference with the applicable Regulatory Authorities (or related advisory committees) in the Territory planned for the next Calendar Quarter that relates to any Product in the Licensed Field. In addition, Verrica shall notify Lytix as soon as reasonably possible (but in

no event later than [***] Business Days if possible) after Verrica becomes aware of any additional such meetings or teleconferences that become scheduled for such Calendar Quarter. Lytix shall provide all assistance and documentation reasonably requested by Verrica to prepare for any such meeting or teleconference, including making available competent personnel to attend any such meeting or teleconference, at Verrica's reasonable request. To the extent permitted by Applicable Laws and by the Regulatory Authorities (as reasonably determined by Verrica), Lytix shall have the right to attend and observe such meetings and teleconferences, and, upon the mutual agreement of the Parties, participate in such meetings and teleconferences, in each case at Lytix's cost (unless such attendance and participation was requested by Verrica).

**(b) In the Retained Field**. As between the Parties, Lytix shall prepare, submit, and own all Regulatory Filings for Product in the Retained Field in the Territory, at Lytix's sole cost and expense. Verrica hereby grants to Lytix a Right of Reference to all Regulatory Filings pertaining to Product submitted by or on behalf of Verrica. Lytix may use such Right of Reference to Verrica's Regulatory Filings solely for the purpose of seeking, obtaining, and maintaining Regulatory Approval of Product in Retained Field in the Territory, including in interactions with any Regulatory Authority in connection with Development or Regulatory Approval of Product in the Retained Field in the Territory. Verrica shall support Lytix, as reasonably requested by Lytix and at Lytix's expense, in seeking, obtaining, and maintaining Regulatory Approvals in the Retained Field in the Territory, including providing necessary documents or other materials required by Applicable Law to seek, obtain, or maintain Regulatory Approval in the Retained Field, all in accordance with the terms and conditions of this Agreement. Lytix shall lead all interactions with Regulatory Authorities with respect to Products in the Retained Field in the Territory. Lytix shall keep Verrica reasonably informed of any material regulatory developments related to Products in the Retained Field in the Territory. At each regularly scheduled JSC meeting, Lytix shall provide Verrica with a list and schedule of any in-person meeting or teleconference with the applicable Regulatory Authorities (or related advisory committees) in the Territory planned for the next Calendar Quarter that relates to any Product in the Retained Field. In addition, Lytix shall notify Verrica as soon as reasonably possible (but in no event later than [***] Business Days if possible) after Lytix becomes aware of any additional such meetings or teleconferences that become scheduled for such Calendar Quarter. Verrica shall provide all assistance and documentation reasonably requested by Lytix to prepare for any such meeting or teleconference, including making available competent personnel to attend any such meeting or teleconference, at Lytix's reasonable request.

5.3 **Regulatory Authority Inspection**.

**(a) Inspections of Verrica**. Verrica shall immediately notify Lytix as soon as Verrica becomes aware of any Regulatory Authority inspections relating to any Product in the Licensed Field in the Territory. Lytix may be present at any such inspections and Verrica shall provide Lytix the opportunity to review and comment on any responses that may be required. If Verrica does not receive prior notice of any such inspection, Verrica shall notify Lytix as soon as practicable after such inspection and shall provide Lytix with copies of all materials, correspondence, statements, forms and records received or generated pursuant to any such inspection.

**(b) Inspections of Lytix**. Lytix shall immediately notify Verrica as soon as Lytix becomes aware of any Regulatory Authority inspections relating to any Product in the Retained Field in the Territory. If Lytix does not receive prior notice of any such inspection, Lytix shall notify Verrica as soon as practicable after such inspection and shall provide Verrica with copies of all materials, correspondence, statements, forms and records received or generated pursuant to any such inspection.

5.4 **Regulatory Cooperation**.

**(a)** Each Party shall use Commercially Reasonable Efforts to provide the other Party with all reasonable assistance and take all actions reasonably requested by such other Party, without changing the allocation of responsibilities set forth in this Article 5, that are necessary or desirable to enable: (a) Verrica to seek, obtain, and maintain Regulatory Approvals for Product in the Licensed Field in the Territory; and (b) Lytix to seek, obtain, and maintain Regulatory Approvals for Product in the Retained Field in the Territory. Each Party shall cooperate with any inspection by any Regulatory Authority relating to Product, including any inspection prior to approval of an application for Regulatory Approval for Product.

**(b)** The Parties shall share on a timely basis through the JSC (or an applicable subcommittee) significant correspondence to or from a Regulatory Authority (including submissions of Regulatory Filings) that are relevant to Product. The Parties shall share and review such correspondence to or from a Regulatory Authority to assure that the Parties provide consistent responses to the Regulatory Authorities with respect to inquiries relevant to Product. Additionally, to the extent that Lytix prepares a Drug Master File for the Product, then Lytix shall provide Verrica with a draft of such Drug Master File at least [***] days prior to completion thereof (as well as a final copy of such Drug Master File upon completion), as well as any modifications or amendments thereto. Verrica shall have the right to review and comment on any draft of the Drug Master File (as well as any modifications or amendments thereto) and shall provide Lytix with such comments within [***] days of receipt thereof. Lytix shall consider any such comments in good faith.

5.5 **Notice of Regulatory Action**. If any Third Party, including a Regulatory Authority, takes or gives notice of its intent to take any regulatory action with respect to any activity of a Party pursuant to this Agreement, which regulatory action could reasonably be expected to materially adversely affect any Development, Manufacture, or Commercialization activities with respect to Product in the Licensed Field or in the Retained Field in the Territory, then such Party shall promptly notify the other Party of such notice or action, and the Parties shall discuss an appropriate response in good faith.

5.6 **Remedial Actions**. Each Party shall notify the other immediately, and promptly confirm such notice in writing, if it obtains information indicating that any Product may be subject to any recall, corrective action, or other regulatory action by any Governmental Authority or Regulatory Authority (a "**Remedial Action**"). The Parties shall assist each other in gathering and evaluating such information as is necessary to determine the necessity of conducting a Remedial Action. Verrica has sole discretion with respect to any matters relating to any Remedial Action with respect to Product that Verrica, its Affiliates, or its Sublicensees distributed, including the

decision to commence such Remedial Action and the control over such Remedial Action. Lytix has sole discretion with respect to any matters relating to any Remedial Action with respect to Product that Lytix, its Affiliates, or their licensees (excluding Verrica, its Affiliates, or its Sublicensees) distributed, including the decision to commence such Remedial Action and the control over such Remedial Action. Each Party shall bear all costs and expenses of any Remedial Action conducted by it pursuant to this Section 0. Each Party shall, and shall ensure that its Affiliates and Sublicensees or licensees, as applicable, will, maintain adequate records to permit the Parties to trace the distribution, sale and use of Products in the Territory. Each Party shall provide the other Party, at the other Party's expense, with such assistance in connection with a Remedial Action as may be reasonably requested by such other Party. Notwithstanding the foregoing, any Remedial Action that relates to the Manufacture and supply of Products by Lytix to Verrica is governed by the terms and conditions of the applicable Supply Agreement.

5.7 **Adverse Event Reporting; SDEA; Global Pharmacovigilance Database**.

**(a)** As between the Parties and in accordance with Section 0: (a) Verrica is responsible for the timely reporting to the appropriate Regulatory Authorities of all Adverse Events and any other information concerning the safety of Product in the Licensed Field, and (b) Lytix is responsible for the timely reporting to the appropriate Regulatory Authorities of all Adverse Events and any other information concerning the safety of Product in the Retained Field. The Party that owns the Regulatory Approval for the applicable Product has the right to make the final decision with respect to any Adverse Event filing with a Regulatory Authority with respect to such Product in the event of a dispute and where a decision must be made in order to comply with applicable time filing requirements.

**(b)** Subject to the terms of this Agreement, and reasonably prior to the Initiation of any Clinical Trial by or on behalf of Verrica, Lytix and Verrica (under the guidance of their respective Pharmacovigilance Departments, or equivalent thereof) shall define and finalize the responsibilities of the Parties to protect patients and promote their well-being in connection with the use of Product pursuant to a written agreement between the Parties (the "**Safety Data Exchange Agreement**"). The Safety Data Exchange Agreement will (a) include mutually acceptable guidelines and procedures for the receipt, investigation, recordation, communication, and exchange (as between the Parties) and regulatory submission of Adverse Event reports, reports of exposure during pregnancy, and any other information concerning the safety of Product, (b) be in accordance with, and enable the Parties, their Affiliates, and Sublicensees to fulfill, local and international regulatory reporting obligations to Governmental Authorities, and (c) be consistent with relevant ICH guidelines, except where said guidelines may conflict with existing local regulatory safety reporting requirements, in which case local reporting requirements shall prevail. Further, the Safety Data Exchange Agreement will provide for the following: Lytix shall control the global pharmacovigilance database with respect to Product worldwide.

## ARTICLE 6
## COMMERCIALIZATION

6.1 **Commercialization Responsibilities**.

**(a)** **Licensed Field**. Verrica has the exclusive right to conduct, and is solely responsible for all aspects of, the Commercialization of Products in the Licensed Field in the Territory, including: (a) developing and executing a commercial launch and pre-launch plan, (b) negotiating with applicable Governmental Authorities regarding the price and reimbursement status of Products; (c) marketing and promotion; (d) booking sales and distribution and performance of related services; (e) handling all aspects of order processing, invoicing and collection, inventory and receivables; and (f) providing customer support, including handling medical queries, and performing other related functions, in each case of (a)–(f) with respect to the Licensed Field; *provided*, that such decisions are consistent with the express terms and conditions of this Agreement. As between the Parties, Verrica shall bear all of its costs and expenses incurred in connection with such Commercialization activities.

**(b)** **Retained Field**. Lytix has the exclusive right to conduct, and is solely responsible for all aspects of, the Commercialization of Products in the Retained Field in the Territory, including: (a) developing and executing a commercial launch and pre-launch plan, (b) negotiating with applicable Governmental Authorities regarding the price and reimbursement status of Products; (c) marketing and promotion; (d) booking sales and distribution and performance of related services; (e) handling all aspects of order processing, invoicing and collection, inventory and receivables; and (f) providing customer support, including handling medical queries, and performing other related functions, in each case of (a)–(f) with respect to the Retained Field; *provided*, that such decisions are consistent with the express terms and conditions of this Agreement. As between the Parties, Lytix shall bear all of its costs and expenses incurred in connection with such Commercialization activities.

6.2 **Commercial Diligence**.

**(a)** Verrica shall (a) use Commercially Reasonable Efforts to Commercialize Product for which it has obtained Regulatory Approval to achieve the First Commercial Sale of Product by certain target dates and (b) achieve certain sales targets, in each case as is contained in the Commercialization Plan.

**(b)** Lytix may terminate this Agreement in its entirety if Verrica, itself or through one or more of its Affiliates, Sublicensees, or Third-Party service providers is not using Commercially Reasonable Efforts to Commercialize Product or fails to demonstrate to Lytix that it has used Commercially Reasonable Efforts to Commercialize Product for which it has obtained Regulatory Approval to achieve the First Commercial Sale of Product by certain dates or achieve certain sales targets, in each case as is contained in the Commercialization Plan.

6.3 **Commercialization Plans**. Verrica shall establish plans for Commercialization of Product in the Licensed Field in each of the [***] in accordance with its normal business practices and consistent with the form and detail that Verrica normally provides for its internal products at a similar stage and shall provide the final version of such commercialization plan (the

"**Commercialization Plan**") to Lytix for its review and comment. After establishment of the initial commercialization plan for Product in the Licensed Field, Verrica shall update such commercialization plan at least annually and provide such updated commercialization plan to Lytix for its review and comment. Verrica shall establish such other plans for Commercialization of Product in other countries of the Territory in accordance with its normal business practices and shall include a summary of such plans in each update to Lytix under this Section 0.

6.4 **Standards of Conduct**. Each Party shall perform, and shall ensure that its Affiliates, (sub)licensees and Third Party contractors perform, all Commercialization activities in a good scientific and ethical business manner and in compliance with Applicable Laws. Verrica and its Sublicensees (and their respective Affiliates) shall not knowingly promote or sell (or encourage or facilitate the sale of) any Product for use in the Retained Field. Verrica and its Sublicensees (and their respective Affiliates) shall not provide funding to or otherwise support continuing education programs for sales representatives or medical professionals in which information is provided about the use of any Product for use in the Retained Field. Lytix and its licensees (and their respective Affiliates) shall not knowingly promote or sell (or encourage or facilitate the sale of) any Product for use in the Licensed Field. Lytix shall not provide funding to or otherwise support continuing education programs for its sales representatives or medical professionals in which information is provided about the use of any Product in the Licensed Field. Each Party represents that it has established or will establish, and shall follow, its own internal policies, procedures and standards for promotion, Clinical Trials, Medical Education Activities and other sales and marketing activities for Products in the Licensed Field (with respect to Verrica) and the Retained Field (with respect to Lytix), to ensure compliance with Applicable Laws.

6.5 **Tracking of Sales of Product**.

**(a)** **Tracking**. The Parties recognize the possibility that customers or other Third Parties may purchase Product that has received Regulatory Approval for and is sold for use in the Licensed Field and in the Retained Field. In the case where Product is sold in the Licensed Field and in the Retained Field in the same country in the Territory, upon the request of either Party, the Parties, through the JSC, shall establish a process and methodology for the tracking of sales of such Product to determine the extent of sales in each of the Licensed Field and Retained Field. For this purpose, the Parties through the JSC shall agree on (i) the acquisition of one or more prescription data services or other relevant market research generally recognized in the pharmaceutical industry as having a high degree of accuracy and reliability in the tracking of sales of Product attributable to the Licensed Field and the Retained Field (e.g., the IQVIA prescription claims database) (the "**Data Services**"), (ii) the methodology for applying any such resulting data and information to the Net Sales of Product (including use of random sampling, use of data regarding distribution channels as proxy for indication-specific sales and development of mathematical models for approximating indication-specific sales) (the "**Sales Tracking Methodology**"), and (iii) a mechanism for addressing prescriptions that are tracked back to sole source purchasing agreements. All costs associated with the acquisition and application of such Data Services and Sales Tracking Methodology shall be shared equally by the Parties and specific details negotiated by the Parties at such a time when necessary.

**(b)** If the JSC determines that (i) a Product sold by or on behalf of Lytix is actually used for the treatment of indications in the Licensed Field in a country in the Territory at a level exceeding, on a product-unit sales basis during a Calendar Year, [***] of the product unit sales for such Product in the Licensed Field in such Calendar Year period for such country, or (ii) a Product sold by or on behalf of Verrica is actually used for the treatment of indications in the Retained Field in a country in the Territory at a level exceeding, on a product-unit sales basis during a Calendar Year, [***] of the product unit sales for such Product in the Retained Field in such Calendar Year period for such country, then the Parties shall negotiate in good faith a manner in which a Party will financially compensate the other Party for such off-label sales.

**(c)** **Disputes**. If the JSC cannot agree: (i) on the Data Services and the Sales Tracking Methodology; (ii) on the extent to which sales of Product sold by or on behalf of Verrica for off-label use in the Retained Field exceeds the applicable [***] threshold set forth above; (iii) on the extent to which sales of Product sold by or on behalf of Lytix for off-label use in the Licensed Field exceeds the applicable [***] threshold set forth above; or (iv) the manner in which the Parties are to financially resolve such off-label use; then, in each case, at the election of either Party, such dispute shall be finally resolved through binding baseball arbitration in accordance with Section 0.

## ARTICLE 7
## MANUFACTURING

7.1 **General**. Subject to the terms and conditions of this Agreement and the applicable Supply Agreement, Verrica has the sole right to conduct, and is solely responsible for all aspects of, the Manufacture of Drug Product (other than the API) in the Licensed Field in the Territory. Subject to the terms and conditions of this Agreement and the applicable Supply Agreement, Verrica has the right to request Lytix to Manufacture and supply Verrica with API for use in the Licensed Field in the Territory. On and after First Commercial Sale of the Product in the Licensed Field, Lytix shall maintain safety stock of API in an amount sufficient to meet [***] months of Verrica's requirements for API as forecasted by Verrica in accordance with the Commercial API Supply Agreement. Verrica shall be responsible for [***], and Lytix shall be responsible for [***], of the Third Party out-of-pocket cost of such safety stock of API. Verrica shall reimburse Lytix for its share of such costs upon receipt of reasonably adequate documentation indicating such Third Party costs and evidence of payment by Lytix to such Third Party. Verrica's reimbursement of such costs shall be credited against amounts subsequently payable under the applicable Supply Agreement for the supply of such API. If such safety stock of API at any time falls below the amount sufficient to meet Verrica's [***] API requirements, then Lytix shall (a) within [***] months thereafter, establish a second source of supply for API for use in the Licensed Field with a Third Party contract manufacturer selected by Lytix and (b) within [***] months thereafter, begin to obtain supply of API for use in the Licensed Field from such Third Party contract manufacturer. Lytix shall provide any technology transfer necessary or reasonable in order for such supplier to be operational to provide API acceptable for commercial use in the Territory; provided, that any such technology transfer (including, for the avoidance of doubt, CMC and registration activities) to such supplier shall be exclusively at Lytix's cost.

7.2 **Lytix Supply Obligation**. Lytix shall, subject to the limitations set forth in 7.2(b), Manufacture and supply, or cause to be supplied, to Verrica, and Verrica shall exclusively purchase from Lytix, any or all of Verrica's, its Affiliates' and its and their Sublicensees' requirements of API for (a) clinical trials and other non-clinical Development and registration activities in the Licensed Field in the Territory; and (b) commercial distribution in the Licensed Field in the Territory, in each case as described in additional detail in Section 0. Lytix shall supply Verrica with API in: (i) the form that have been developed as of the Effective Date; or (ii) any form that, at the time of supply, is being Developed or Commercialized by or on behalf of Lytix in the Retained Field, or (iii) any form requested by Verrica and reasonably agreed by Lytix, in each case, as is set forth in the Clinical API Supply Agreement or Commercial API Supply Agreement, as applicable. Verrica is responsible, at Verrica's sole cost and expense, for any cartoning, packaging, for development of any requested formulations of the Product, and labeling of Product in accordance with the Applicable Laws in the Territory. Verrica is responsible, at Verrica's sole cost and expense, for the distribution of Products in the Licensed Field in the Territory. On a quarterly basis, Lytix shall provide Verrica with copies of relevant CMC information generated by or on behalf of Lytix with respect to API, including data and information related to the development of the Manufacturing process necessary for Verrica's regulatory processes. Verrica shall have the right to review, comment on, and approve any proposed Manufacturing process development activities for API for supply to Verrica.

7.3 **Supply Agreements**.

**(a)** **Clinical Supply**. Lytix shall Manufacture and supply, to the extent requested by Verrica, or have Manufactured and have supplied, (i) API to Verrica for use in clinical trials and other Development and registration activities and (ii) Product being Developed or Commercialized by or on behalf of Lytix for use in Verrica's initial clinical studies, with respect to Product in the Licensed Field in the Territory, in accordance with a written clinical supply agreement to be negotiated in good faith and entered into by the Parties as soon as practicable following the Effective Date and in accordance with the principles and terms set forth in **Exhibit 0** (the "**Clinical API Supply Agreement**"). The Clinical API Supply Agreement will contain other normal and customary terms and conditions for such supply arrangement. Verrica shall pay Lytix for API supplied by or on behalf of Lytix to Verrica under the Clinical API Supply Agreement at a price equal to Lytix's Cost of Goods plus a [***] premium.

**(b)** **Commercial Supply**. Lytix shall Manufacture and supply, to the extent requested by Verrica, or have Manufactured and have supplied, API to Verrica for commercial distribution in the Territory, in accordance with a written commercial supply agreement to be negotiated in good faith and entered into by the Parties within [***] months after the execution of the Clinical API Supply Agreement and in accordance with the principles and terms set forth in **Exhibit 0** (the "**Commercial API Supply Agreement**"). The Commercial API Supply Agreement will contain other normal and customary terms and conditions for such supply arrangement. Verrica shall pay Lytix for API supplied by or on behalf of Lytix to Verrica under the Commercial API Supply Agreement at a price equal to Lytix's Cost of Goods plus a [***] premium.

7.4 **Manufacturing Process Exchange**. On an ongoing basis during the Term, upon the request of either Party (the "**Transferee**"), the other Party (the "**Manufacturing Party**") shall

transfer to the Transferee or a Third Party manufacturer designated by the Transferee all Know-How as of the date of such request that is necessary for Transferee or such Third Party manufacturer (as appropriate) to replicate the process employed by or on behalf of the Manufacturing Party as of such date to Manufacture the Drug Product (but not the API). Promptly after receiving an invoice therefor, the Transferee shall reimburse the Manufacturing Party's reasonable external expenses incurred in carrying out such transfer. In addition, the Manufacturing Party shall make available to the Transferee, on a reasonable consultation basis, advice of its technical personnel as may reasonably be requested by the Transferee in connection with such transfer of Know-How or otherwise in connection with the Manufacture of the Drug Product (but not the API). The Transferee shall reimburse the Manufacturing Party for the reasonable charges for the time and expenses of such personnel when consulting for the Transferee.

## ARTICLE 8
## COMPENSATION

8.1 **Upfront Payments**. Within [***] Business Days after the Effective Date, Verrica shall pay to Lytix a one-time upfront payment of Two Hundred Fifty Thousand Dollars ($250,000).

8.2 **IND Clearance**. Within [***] days after Lytix receives a "study may proceed" letter from the FDA for the Product in the Retained Field, Verrica shall pay to Lytix a one-time payment of Two Million Two Hundred Fifty Thousand Dollars ($2,250,000).

8.3 **Development Milestone Payments**. Verrica shall notify Lytix within [***] days after the first achievement by Verrica, its Affiliates, or Sublicensees of the following development milestone events. Verrica shall make the corresponding milestone payment concurrently with such notice.

| Development Milestone Event | Milestone Payment |
|---|---|
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |

Each milestone payment is payable one time only, regardless of the number of times the corresponding milestone event is achieved by a Product and regardless of the number of Products to achieve such milestone event. Under no circumstances shall Verrica be obligated to pay Lytix more than [***] in the aggregate pursuant to this Section 0.

8.4 **Sales Milestones**. Verrica shall notify Lytix within [***] days after the end of the Calendar Year in which the cumulative annual Net Sales of all Product by Verrica and its Affiliates and Sublicensees (including amounts deemed Net Sales pursuant to Section 0) first reaches each

of the amounts specified below. Verrica shall make the corresponding milestone payment concurrently with such notice.

| Milestone Event | Milestone Payment |
|---|---|
| Cumulative Net Sales of Product exceed [***] | [***] |
| Cumulative Net Sales of Product exceed [***] | [***] |
| Cumulative Net Sales of Product exceed [***] | [***] |
| Cumulative Net Sales of Product exceed [***] | [***] |
| Cumulative Net Sales of Product exceed [***] | [***] |

Each such sales milestone payment is payable one time only. Under no circumstances shall Verrica be obligated to pay Lytix more than [***] in the aggregate pursuant to this Section 0.

8.5 **Royalties**.

**(a) Royalty Rates**. Subject to Sections 0, 8.5(c) and 0, Verrica shall pay to Lytix royalties on aggregate annual Net Sales (including amounts deemed Net Sales pursuant to Section 0) of all Products in the Licensed Field in the Territory during the applicable Royalty Term, as calculated by multiplying the applicable royalty rate below by the corresponding amount of incremental Net Sales of all Products in the Licensed Field in the Territory in each Calendar Year.

| Annual Net Sales of Products in the Territory | Royalty Rate |
|---|---|
| For that portion of annual aggregate Net Sales of Products less than [***] | [***] |
| For that portion of annual aggregate Net Sales of Products greater than or equal to [***] | [***] |
| For that portion of annual aggregate Net Sales of Products greater than [***] | [***] |
| For that portion of annual aggregate Net Sales of Products greater than [***] | [***] |

**(b) Royalty Term**. Verrica shall pay royalties under this Section 0, on a country-by-country and Product-by-Product basis, on Net Sales during the period of time beginning on the First Commercial Sale of such Product in such country and continuing until the later of: (i) the expiration or abandonment of the last-to-expire Licensed Patent Covering such Product anywhere in the Territory and (ii) the expiration of Regulatory Exclusivity for the Product in such country (the "**Royalty Term**").

**(c) No Valid Claim**. During the Royalty Term, on a country-by-country basis, if Product is not Covered by a Valid Claim of a Licensed Patent in such country, then the royalty

rate set forth in Section 0 will be reduced by [***], effective as of the date such Product is no longer Covered by a Valid Claim of a Licensed Patent in such country.

**(d) [INTENTIONALLY OMITTED]**.

**(e) Royalty Reports and Payments**. Within [***] days after the end of each Calendar Quarter during the Royalty Term, Verrica shall deliver to Lytix a written royalty report specifying, on a country-by-country and Product-by-Product basis, the amount of gross sales and Net Sales of Products during the applicable Calendar Quarter, a calculation of the amount of royalty payment due on such sales for such Calendar Quarter, any applicable royalty offsets under Section 0, and a revised calculation of the payment due after the application of such offsets. Concurrently with the delivery of such royalty report, Verrica shall pay all royalties due to Lytix with respect to Net Sales by Verrica, its Affiliates or their respective Sublicensees for each such Calendar Quarter. For clarity, Verrica shall have no obligation to make royalty reports or payments to Lytix for Net Sales of Product achieved by any Sublicensee, other than as set forth in Section 8.7.

8.6 **Third Party Payments**. If Verrica obtains a license or other rights to any Third Party intellectual property right that is necessary or reasonably useful to exploit any Product, then, during the Royalty Term, Verrica may deduct from any royalty payments to Lytix under Section 0 [***] of any payments otherwise due by Verrica or its Affiliates or Sublicensees to Third Parties for any such license or grant of rights**.**

8.7 **Sublicense Income**. If Verrica grants a sublicense to one or more Sublicensees under the Licensed Technology, any upfront fees or milestone payments (but excluding royalties) received by Verrica or its Affiliates from or on behalf of each such Sublicensee for activities anywhere in the Territory shall be treated as Net Sales for the purposes of Section 0 and Section 0; *provided*, that, with respect to any milestone payments received from a Sublicensee that are due based on the achievement of a development milestone event described in Section 8.3, only amounts received by Verrica in excess of the amount due to Lytix under Section 8.3 for such development milestone event shall be treated as Net Sales for the purposes of Section 0 and Section 0. If Verrica grants a sublicense to one or more Sublicensees under the Licensed Technology, any royalties received by Verrica or its Affiliates from or on behalf of each such Sublicensee applicable to Net Sales anywhere in the Territory shall be shared by the Parties as follows:

| Sublicense Granted | Royalty Sharing |
|---|---|
| [***] | 50% (Verrica)/50% (Lytix) |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |

*provided*, that, Lytix's share of such royalties shall not be less than [***] of the amount of such Net Sales achieved by such Sublicensee nor shall it exceed [***] of the amount of such Net Sales achieved by such Sublicensee. For clarity, Verrica shall have no other payment obligations to Lytix in connection with any other payments received from or on behalf of a Sublicensee.

8.8 **Foreign Exchange**. The rate of exchange to be used in computing the amount of currency equivalent in Dollars of Net Sales invoiced in other currencies shall be the rate used by Verrica in its financial reporting in accordance with Accounting Standards, as applicable.

8.9 **Manner and Place of Payment**. All payments owed by Verrica under this Agreement shall be made by wire transfer in immediately available funds to a bank and account designated in writing by Lytix.

8.10 **Records; Audits**. Verrica and its Affiliates and Sublicensees will maintain complete and accurate records in reasonably sufficient detail to permit Lytix to confirm the accuracy of the calculation of royalty payments and the achievement of sales milestone events. Upon reasonable prior notice, such records shall be available during regular business hours for a period of [***] years from the end of the Calendar Year to which they pertain for examination, not more often than once each Calendar Year, by an independent certified public accountant selected by the auditing Party and reasonably acceptable to the audited Party, for the sole purpose of verifying the accuracy of the financial reports furnished by the other Party pursuant to this Agreement. Any such auditor shall enter into a confidentiality agreement with the audited Party and shall not disclose the audited Party's Confidential Information, except to the extent, such disclosure is necessary to verify the accuracy of the financial reports furnished by the audited Party or the amount of payments due by one Party to the other Party under this Agreement. Any amounts shown to be owed but unpaid shall be paid, and any amounts showed to be overpaid will be refunded, within [***] days from the accountant's report. The auditing Party shall bear the full cost of such audit unless such audit discloses an underpayment or overcharge by the audited Party of more than [***] of the amount due, in which case the audited Party shall bear the full cost of such audit.

8.11 **Taxes**.

**(a)** **Taxes on Income**. Except as otherwise provided in this Section 8.11, each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising directly or indirectly from the efforts of the Parties under this Agreement, including taxes asserted or collected through withholding. In the event of a determination by a tax authority that an amount should have been withheld from a payment to Lytix (but no such amount was withheld), Lytix shall indemnify Verrica for the withholding tax. Notwithstanding anything to the contrary in this Agreement, Lytix shall timely pay and be responsible for (and shall indemnify Verrica for) any transfer, documentary, sales, use, stamp, registration, value added, goods and services tax or other similar tax that is imposed with respect to the transactions, payments or the related transfer of rights or other property pursuant to the terms of this Agreement. Verrica shall be entitled to offset any

taxes for which Verrica is indemnified pursuant to this Section 8.11 from amounts otherwise owed to Lytix under this Agreement.

**(b) Withholding Tax**. The Parties agree to cooperate with one another and use reasonable efforts to reduce or eliminate tax withholding or similar obligations in respect of royalties, milestone payments, and other payments made by Verrica to Lytix under this Agreement. To the extent Verrica is required to deduct and withhold taxes on any payment to Lytix, Verrica shall pay the amounts of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to Lytix an official tax certificate or other evidence of such withholding sufficient to enable Lytix to claim such payment of taxes. Any such amounts deducted or withheld by Verrica shall be treated as having been paid to Lytix for purposes of this Agreement. On or prior to the Effective Date, Lytix shall deliver to Verrica a properly completed Internal Revenue Service Form W-8BEN-E. Each Party shall provide the other with reasonable assistance to enable the recovery, as permitted by applicable Laws, of withholding taxes, value added taxes, or similar obligations resulting from payments made under this Agreement, such recovery to be for the benefit of the Party bearing such withholding tax or value added tax.

## ARTICLE 9
## INTELLECTUAL PROPERTY MATTERS

9.1 **Ownership of Inventions**.

**(a) Inventions**. Each Party owns all rights, title, and interests in and to any and all Know-How or Inventions made solely by or on behalf of such Party or its Affiliates in connection with the performance of such Party's activities under this Agreement and any Patents claiming any such Know-How or Inventions. The Parties jointly own any and all Joint Inventions and Joint Patents. All determinations of inventorship under this Agreement will be made in accordance with U.S. patent law.

**(b) Disclosure**. (i) Each Party shall promptly disclose to the other Party all Inventions, and (ii) each Party shall promptly disclose to the other Party all Joint Inventions, in each case ((i) of (ii)), prior to the filing of any patent application with respect to such Inventions, including all invention disclosures or other similar documents submitted to such Party by its or its Affiliates' employees, agents, or independent contractors relating thereto. Each Party shall also promptly respond to reasonable requests from the other Party for additional information relating thereto.

**(c) Licenses**. Verrica shall and hereby does grant to Lytix a royalty-free, fully paid-up, exclusive (even as to Verrica and its Affiliates), perpetual, irrevocable license (with the right to grant sublicenses through multiple tiers) under Verrica Inventions to research, Develop, make, have made, use, sell, have sold, offer for sale, import, and otherwise Commercialize Product in the Retained Field in the Territory, subject to the terms and conditions of this Agreement.

9.2 **Patent Prosecution and Maintenance**. For purposes of this Section 0, the terms "prosecution" and "maintenance" (including variations such as "prosecute" and "maintain") means, with respect to a Patent, the preparation, filing, prosecution (including conducting all correspondence and interactions with any patent office and seeking, conducting and defending all

any interferences, inter partes reviews, reissue proceedings, reexaminations, and oppositions and similar proceedings) and maintenance (including payment of any patent annuity fees) of such Patent, as well as re-examinations, reissues, appeals, post grant reviews (PGR), inter partes reviews (IPR) and requests for patent term adjustments, patent term extensions, supplementary protection certificates, or their equivalents with respect to such Patent, together with the initiation or defense of interferences, oppositions and other similar proceedings with respect to the particular Patent, and any appeals therefrom. For clarity, "prosecution" and "maintenance" (including variations such as "prosecute" and "maintain") exclude any enforcement action with respect to a Patent.

**(a) Prosecution of Licensed Patents**. Lytix has the first right, but not the obligation, to prosecute and maintain the Licensed Patents (other than Joint Patents, which are addressed in Section 0) in the Territory using counsel of its own choice, at Lytix's sole expense. Lytix shall keep Verrica reasonably informed of progress with respect to the prosecution and maintenance of such Licensed Patents in the Territory. In addition, Lytix shall provide Verrica with drafts of all proposed substantive filings and correspondence to any patent authority with respect to any Licensed Patent for Verrica's review and comment prior to the submission of such proposed filings and correspondence. Lytix shall consider in good faith Verrica's comments related to such Licensed Patent prior to submitting such filings and correspondence. If Lytix decides to abandon any Licensed Patent in its entirety, Verrica may assume Lytix's rights and responsibilities under this Section 0 with respect to such Licensed Patent. Verrica will thereafter be responsible for the prosecution and maintenance of such Licensed Patent.

**(b) Joint Patents**. The Parties shall establish the patent strategy for the prosecution and maintenance of any Joint Patents, and shall determine, on an Invention-by-Invention basis, which Party shall be responsible for the prosecution and maintenance of such Patents (such Party, the "**Prosecuting Party**"). In determining the Prosecuting Party, the Parties shall take into account each Party's intellectual property or Patent position with respect to the relevant Invention. The Prosecuting Party shall keep the other Party reasonably informed of progress with regard to its prosecution and maintenance of any Patents described in this Section 0, including by providing such other Party with drafts of all proposed substantive filings and correspondence to any relevant patent authority for such other Party's review and comment prior to the submission of such proposed filings and correspondence. The Prosecuting Party shall consider in good faith the other Party's comments related to such Patents prior to submitting such filings and correspondence, provided that the other Party provides such comments to the Prosecuting Party within [***] days (or a shorter period reasonably designated by the Prosecuting Party if [***] days is not practicable given the filing deadline) of receiving the draft filings and correspondence from the Prosecuting Party. If the Prosecuting Party seeks to abandon or cease the prosecution or maintenance of any Patent described in this Section 0 (without initiation of the prosecution and maintenance of a substitution therefor), then the Prosecuting Party shall provide reasonable prior written notice to the other Party of such intention to abandon or cease such prosecution or maintenance (which notice shall be given no later than [***] days prior to the next deadline for any action that must be taken with respect to any such Joint Patent with the patent office). In such case, at the other Party's sole discretion, upon written notice to the Prosecuting Party, such other Party may elect to continue the prosecution and maintenance of any such Patent described in this Section 0, and will thereafter be the Prosecuting Party with respect to such Joint Patent. The Parties shall mutually agree on the percentage of expenses that each Party shall bear

with respect to the prosecution of Joint Patents (which in the absence of any other agreement between the Parties shall be borne by the Prosecuting Party).

**(c) Cooperation of the Parties**. Each Party shall cooperate fully in the preparation, filing, prosecution and maintenance of the Licensed Patents and Joint Patents pursuant to this Section 0. Such cooperation includes (a) executing all papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so as to effectuate the ownership of Inventions as set forth in Section 0, and Patents claiming or disclosing such Inventions, and as to enable the other Party to apply for and to prosecute patent applications in any country as permitted by Section 0, and (b) promptly informing the other Party of any matters coming to such Party's attention that may affect the prosecution and maintenance of any such patent applications.

9.3 **Enforcement**.

**(a) Notice; Procedures**. Each Party shall notify the other Party within [***] Business Days of becoming aware of any alleged or threatened infringement by a Third Party of (i) Joint Patents anywhere in the world or (ii) Licensed Patents (other than Joint Patents) if infringement of such Licensed Patents adversely affects or is expected to adversely affect any Product the Territory, and in each case of (i) and (ii), any related declaratory judgment or equivalent action alleging the invalidity, unenforceability or non-infringement of such Patents (collectively "**Infringement**"). For clarity, any Infringement excludes those adversarial proceedings that are addressed in Section 0.

**(b) Enforcement Rights**.

**(i) Licensed Patents**. As between the Parties, Verrica has the first right, but not the obligation, to bring and control any legal action to enforce any Licensed Patents against any Infringement in the Licensed Field in the Territory, at its own expense as it reasonably determines appropriate, and Verrica shall consider in good faith the interests of Lytix in such enforcement of any such Patents. If Verrica or its designee fails to file an action to abate such Infringement within [***] days after a written request from Lytix to do so, or if Verrica discontinues the prosecution of any such action after filing without abating such infringement, then if such Infringement has not otherwise been abated by Verrica or its designee, Lytix may enforce any Licensed Patent against the relevant Infringement in the Territory, at its own expense as it reasonably determines appropriate, provided that Verrica does not provide reasonable rationale for not doing so or continuing to do so (including a substantive concern regarding counter-claims by the infringing Third Party).

**(ii) Joint Patents**. If either Party becomes aware of any alleged or threatened Infringement by a Third Party of any Joint Patent, then such Party shall so notify the other Party, and the Parties shall promptly confer and determine (1) whether to bring such an enforcement action against such Third Party, (2) the strategy to be employed in connection with any such action, or (3) the manner in which to settle such action. Unless otherwise agreed, Verrica has the first right, but not the obligation, to bring and control any legal action to enforce any Joint Patents against any Infringement in the Licensed Field, at its own expense as it reasonably determines appropriate, and Verrica shall consider in good faith the interests of Lytix in such

enforcement of any such Patents. Unless otherwise agreed, if Verrica or its designee fails to file an action to abate such Infringement within [***] days after a written request from Lytix to do so, or if Verrica discontinues the prosecution of any such action after filing without abating such infringement, then if such Infringement has not otherwise been abated by Verrica or its designee, Lytix may enforce any Joint Patent against the relevant Infringement, at its own expense as it reasonably determines appropriate, provided that Verrica does not provide reasonable rationale for not doing so or continuing to do so (including a substantive concern regarding counter-claims by the infringing Third Party). The Party not bringing an action under this Section 0 will be entitled to separate representation in such proceeding by counsel of its own choice and at its own expense and will cooperate fully with the Party bringing such action. Notwithstanding the foregoing, each Party shall discuss any such action it intends to bring under this Section 0 with the other Party, and shall not take any substantive position in any such enforcement proceeding or take any action in such enforcement proceeding that such Party reasonably believes in good faith would have the potential to adversely affect or limit the scope, validity, or enforceability of any claim in any Patent Controlled by such Party or its Affiliate that relates to Product.

**(c) Cooperation**. If a Party brings an infringement action in accordance with this Section 0 (such Party, the "**Enforcing Party**"), the other Party shall cooperate fully, including, if required to bring such action, furnishing a power of attorney or being named as a party to such infringement action. The Enforcing Party shall not enter into any settlement or compromise of any action under this Section 0: (i) in a manner that would diminish the rights or interests of the other Party without the written consent of such other Party, not be unreasonably withheld, conditioned, or delayed; or (ii) that would impose any cost or liability on the other Party, or admit the invalidity or unenforceability of any Patent Controlled by the other Party, without such other Party's prior written consent, which may be withheld in such other Party's sole discretion.

**(d) Recovery**. Except as otherwise agreed by the Parties in connection with a cost-sharing arrangement, any recovery as a result of any action or proceeding pursuant to Section 0, whether by way of settlement or otherwise, will be first used to reimburse the Enforcing Party for its documented, out-of-pocket costs and expenses (including court, attorneys' and professional fees) incurred in connection with such action or proceeding, and then to reimburse the other Party for its documented, out-of-pocket costs and expenses (including court, attorneys' and professional fees) incurred in connection with such action or proceeding (to the extent not previously reimbursed by the Enforcing Party), and any remainder of the recovery after reimbursement of the litigation costs and expenses of the Parties, will be retained by the Enforcing Party, *provided*, that any such amounts retained by Verrica will be treated as Net Sales and subject to payments to Lytix in accordance with Section 0.

9.4 **Infringement of Third-Party Rights**. Each Party shall promptly notify the other in writing of any allegation by a Third Party that Manufacture, use or sale of Product infringes or may infringe the intellectual property rights of such Third Party. Except as otherwise provided in 0, (a) Verrica has the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Verrica's activities at its own expense and by counsel of its own choice, and Lytix may, at its own expense, be represented in any such action by counsel of its own choice if such intellectual property rights pertain to the Territory and (b) Lytix has the sole right to control any defense of any such claim involving alleged infringement of Third Party rights

by Lytix's activities at its own expense and by counsel of its own choice, and Verrica may, at its own expense, be represented in any such action by counsel of its own choice. Except as otherwise provided in 0, neither Party may settle any patent infringement litigation under this Section 0 in a manner that diminishes the rights or interests of the other Party without the written consent of such other Party (which shall not be unreasonably withheld, conditioned, or delayed).

9.5 **Patent Term Extensions**. Lytix will cooperate with Verrica, at Verrica's request, in seeking and obtaining patent term extensions (including any pediatric exclusivity extensions as may be available) or supplemental protection certificates or their equivalents in any country with respect to any Licensed Patents and Products. If elections with respect to obtaining such patent term extensions are to be made, Verrica shall have the right to make such elections with respect to the Product with Lytix's prior written consent.

9.6 **Trademarks**.

**(a) Product Marks**. Verrica may brand Product in the Licensed Field in the Territory using trademarks, logos, and trade names it determines appropriate (the "**Product Marks**"). Verrica owns all rights in the Product Marks and shall register and maintain the Product Marks that it determines reasonably necessary, at Verrica's cost and expense.

**(b) Licensed Marks**. As between the Parties, Lytix owns and retains all right, title, and interest in and to all trademarks associated with any trademarks Controlled by Lytix that are associated solely with Products (each, a "**Licensed Mark**"). Lytix shall register and maintain all Licensed Marks at Lytix's cost and expense, and all goodwill in any such Licensed Mark shall accrue to Lytix. Lytix hereby grants Verrica an exclusive (even as to Lytix), fully paid-up, royalty-free, sublicensable license to use the Licensed Marks to research, Develop, make, have made, use, sell, have sold, offer for sale, import, and otherwise Commercialize Products in the Licensed Field in the Territory.

**(c) Corporate Marks**. Notwithstanding anything to the contrary, to the extent required by Applicable Law, (i) Verrica may include Lytix's name and corporate logo on the Product label, packaging, promotional/marketing materials to indicate that the Product is in-licensed from Lytix, and (ii) Lytix hereby grants to Verrica a non-exclusive, fully paid-up, royalty free, sublicensable license to use Lytix's name and corporate logo for the Commercialization of Product in the Territory to the extent consistent with this Section 0.

## ARTICLE 10
## REPRESENTATIONS AND WARRANTIES; COVENANTS

10.1 **Mutual Representations and Warranties**. Each Party represents and warrants to the other Party, as of the Effective Date, that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it,

enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

10.2 **Lytix Representations and Warranties**. Lytix hereby represents and warrants to Verrica as follows, as of the Effective Date:

**(a)** **Existing Patents**. Exhibit 0 attached hereto contains a true and complete list of the existing Licensed Patents as of the Effective Date (the "**Existing Patents**");

**(b)** **Title; Encumbrances**. Lytix is the sole owner of the entire right, title and interest in and to all Patents and other intellectual property rights within the Licensed Technology, free and clear from any mortgages, pledges, liens, security interests, conditional and installment sale agreements, encumbrances, charges or claims of any kind. Lytix has the full and legal rights and authority to grant all rights and licenses it purports to grant to Verrica under this Agreement;

**(c)** **Control**. Lytix Controls (i) all Patents owned, invented or licensed by Lytix that are necessary or useful for the research, Development, Manufacture, use, offer for sale, sale or import of the Product, and (ii) all Know-How owned, generated or licensed by Lytix that is related to the Product;

**(d)** **Licensed Patents**. All maintenance fees, annuity payments, and similar payments relating to the Licensed Patents have been made by Lytix in a timely manner. Lytix has not taken action or failed to undertake any action in connection with the filing, prosecuting and maintaining the Licensed Patents in violation of any Applicable Law. Lytix does not have knowledge of any Information which leads it to believe that any issued Patents in the Licensed Patents are invalid or unenforceable;

**(e)** **No Infringement**. No claim or action has been brought or threatened by any Third Party alleging that the use of the Licensed Technology, or the Development, Manufacture, or Commercialization of the Product (whether by Lytix prior to the Effective Date or as anticipated hereunder), infringes or misappropriates, or would infringe or misappropriate, any published or issued Patent or other intellectual property right of any Third Party, and no facts or circumstances exist, to Lytix's knowledge, that would reasonably be expected to give rise to any such claims. To Lytix's knowledge, the Development, Manufacture, and Commercialization of the Product can be carried out in a manner anticipated hereunder without infringing any Third Party's published or issued Patent or other intellectual property rights;

**(f)** **No Conflicts**. Lytix has not entered into any agreement with any Third Party that is in conflict or inconsistent with the rights granted to Verrica under this Agreement or would impede the performance of its obligations hereunder, and has not taken any action that would in any way prevent it from granting the rights granted to Verrica under this Agreement, or that would otherwise conflict with or adversely affect Verrica's rights under this Agreement, or that would impede its performance of its obligations hereunder;

**(g)** **Intellectual Property Rights**. The Licensed Technology includes all intellectual property rights Controlled by Lytix that are reasonably necessary or useful for the

Development and Commercialization of the Product by Verrica in accordance with the terms of this Agreement.

**(h) Third Party Technology**. To Lytix's knowledge, there are no pending Third Party patent applications that, if issued with the published or currently pending claims, would be infringed by the Development, Manufacture, or Commercialization of Products;

**(i) Third Party Infringement**. To Lytix's knowledge, no Third Party is infringing or has infringed any Licensed Patents or has misappropriated any Licensed Know-How;

**(j) No Proceeding**. There are no pending and no threatened, adverse actions, suits or proceedings (including Patent interferences, reissues, reexaminations, cancellations, oppositions, nullity actions, invalidation actions or post-grant reviews) against Lytix involving the Licensed Technology or Products or challenging Lytix's ownership rights in, or the validity or scope of any Licensed Patent;

**(k) Regulatory Actions**.

**(i)** Lytix has not received any written communications from any Regulatory Authority describing any matters specific to a Product, or to any class of drugs to which a Product belongs, that may be necessary to be overcome in order to obtain Regulatory Approval of any Product, nor does Lytix have any knowledge of any basis for such matters;

**(ii)** All Regulatory Filings by Lytix with respect to the Product, to Lytix's knowledge, were, at the time of filing, true, complete, and accurate;

**(iii)** Lytix and its Affiliates are not, and have not been, debarred or disqualified by any Regulatory Authority;

**(iv)** Lytix has filed with the applicable Regulatory Authority all required notices, reports, and other Regulatory Filings with respect to each IND held by Lytix for the Product; and

**(v)** Lytix has not received any notice from any Regulatory Authority or other governmental authority commencing or threatening withdrawal of any active IND held by Lytix.

**(l) Clinical Data**. Lytix is the sole owner of all rights to the clinical data generated in the performance of the Lytix's Development of the Product prior to the Effective Date.

**(m) Compliance with Laws**. All Development of the Product conducted by or on behalf of Lytix prior to the Effective Date has been conducted in compliance with all Applicable Laws and all Product used in all clinical studies conducted by or on behalf of Lytix has been Manufactured in compliance with GMP;

**(n)** **No Litigation**. Lytix is not a party to any legal action, suit or proceeding relating to the Product in the Licensed Field or in the Retained Field in the Territory;

**(o)** **No Debarment**. Neither Verrica nor any of its Affiliates is or has been debarred or suspended under 21 U.S.C. §335(a) or §335(b) or any foreign equivalent thereof, or is the subject of a conviction described in such section or any foreign equivalent thereof;

**(p)** **Compliance**. There are no legal claims, judgments or settlements against or owed by Lytix or any of its Affiliates, or pending or, to Lytix's knowledge, threatened, legal claims or litigation, in each case, relating to antitrust, anti-competition, anti-bribery or corruption violations; and

**(q)** **Disclosure**. Lytix has disclosed to Verrica all material written information in Lytix's possession or Control as of the Effective Date relating to Products, and all such information disclosed by Lytix is true, complete, and correct. There are no issues or information related to the Licensed Technology or otherwise which are reasonably likely to have a material or adverse impact on the Development, Manufacture, or Commercialization of the Product that have not been fully disclosed to Verrica.

10.3 **Representations and Warranties of Verrica**. Verrica represents and warrants to Lytix that as of the Effective Date:

**(a)** Verrica and its Affiliates are not, and have not been, debarred or disqualified by any Regulatory Authority;

**(b)** Verrica has sufficient financial wherewithal to (i) perform all of its obligations pursuant to this Agreement, and (ii) meet all of its obligations that come due in the ordinary course of business;

**(c)** Verrica has, or can readily obtain, sufficient technical, clinical, and regulatory expertise to perform all of its obligations pursuant to this Agreement, including its obligations relating to the Products in the Licensed Field in the Territory; and

**(d)** Verrica has obtained from its employees, agents and Affiliates enforceable assignments that assign the Verrica Inventions, without limitation, to Verrica and Verrica has recorded such assignments where necessary in accordance with Applicable Laws.

10.4 **Lytix Covenants**. Lytix hereby covenants to Verrica as follows:

**(a)** **Control**. Lytix shall Control throughout the Term (i) all Patents owned, invented or licensed by Lytix that are necessary or useful for the research, Development, Manufacture, use, offer for sale, sale or import of the Product, and (ii) all Know-How owned, generated or licensed by Lytix that is related to the Product; and

**(b)** **No Conflicts**. Lytix shall not enter into any agreement with any Third Party that is in conflict with the rights granted to Verrica under this Agreement or would impede the performance of its obligations hereunder, and shall not take any action that would in any way

prevent it from granting the rights granted to Verrica under this Agreement, or that would otherwise conflict with or adversely affect Verrica's rights under this Agreement, or would impede its performance of its obligations hereunder.

10.5 **Mutual Covenants**.

**(a) No Debarment**. In the course of Development by of the Product, neither Party shall use any employee or consultant who has been debarred by any Regulatory Authority or, to such Party's knowledge, is the subject of debarment proceedings by a Regulatory Authority. Each Party shall notify the other Party promptly upon becoming aware that any of its employees or consultants has been debarred or is the subject of debarment proceedings by any Regulatory Authority.

**(b) Compliance**.

**(i)** Each Party and its Affiliates shall comply in all material respects with all Applicable Laws in the Development, Manufacture, and Commercialization of Products and performance of its obligations under this Agreement, including, to the extent applicable to such Party and its activities hereunder, the statutes, regulations and written directives of the FDA, the EMA and any Regulatory Authority having jurisdiction in the Territory, the FD&C Act, the Prescription Drug Marketing Act, the Federal Health Care Programs Anti-Kickback Law, 42 U.S.C. 1320a-7b(b), the statutes, regulations and written directives of Medicare, Medicaid and all other health care programs, as defined in 42 U.S.C. § 1320a-7b(f), as each as may be amended from time to time.

**(ii)** Without limiting the foregoing, each Party shall comply with Anti-Corruption Laws, and shall not cause the other Party or its Affiliates, directors, officers, shareholders, employees or agents to be in violation of any Anti-Corruption Laws. Without limiting the foregoing, neither Party shall, directly or indirectly, pay any money to, or offer or give anything of value to, any "foreign official" as that term is used in the FCPA or any "foreign public official" as that term is used in the FCPA, in order to obtain or retain business or to secure any commercial or financial advantage for the other Party or for itself or any of their respective Affiliates or Sublicensees. Each Party understands that if it fails to comply with the provisions of Anti-Corruption Laws, then such failure shall automatically be deemed a breach that allows the other Party to terminate this Agreement in accordance with Section 0, provided that, the other Party will in such case not have to allow the infringing Party any notice period or cure period.

10.6 **Disclaimer**. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY, AND ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED**.** EACH PARTY ACKNOWLEDGES AND AGREES THAT THE OTHER PARTY HAS NOT MADE ANY REPRESENTATIONS, EXPRESS OR IMPLIED WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

## ARTICLE 11
## INDEMNIFICATION

11.1 **By Verrica**. Verrica shall and hereby does save, defend and hold Lytix and its Affiliates and their respective directors, officers, employees and agents (each, a "**Lytix Indemnitee**") harmless from and against any and all claims, suits, actions, demands, liabilities, expenses and loss, including reasonable legal expense and attorneys' fees (collectively, "**Losses**") to which any Lytix Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (a) the research, Development, Manufacture, use, marketing, promotion, distribution, handling, storage, sale or other disposition of Product by or on behalf of Verrica or any of its Affiliates or Sublicensees; (b) the breach by Verrica of any provision of this Agreement; or (c) the gross negligence or willful misconduct of any Verrica Indemnitee; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Lytix Indemnitee or the breach by Lytix of any provision of this Agreement.

11.2 **By Lytix**. Lytix shall and hereby does save, defend and hold Verrica and its Affiliates and their respective directors, officers, employees and agents (each, an "**Verrica Indemnitee**") harmless from and against any and all Losses to which any Verrica Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (a) the research, Development, Manufacture, use, marketing, promotion, distribution, handling, storage, sale or other disposition of Product by or on behalf of Lytix or any of its Affiliates or licensees (other than Verrica), (b) the breach by Lytix of any provision of this Agreement, including Lytix's obligations with respect to taxes pursuant to Section 8.11 and for purposes of this Section 0(b), "Losses" includes taxes; or (c) the gross negligence or willful misconduct of any Lytix Indemnitee; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Verrica Indemnitee or the breach by Verrica of any provision of this Agreement.

11.3 **Procedure**. If a Party (the "**Indemnified Party**") seeks indemnification under Section 0 or 0, the Indemnified Party shall: (a) inform the other Party (the "**Indemnifying Party**") of a claim as soon as reasonably practicable after it receives notice of the claim (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a claim as provided in this Section 0 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually and materially damaged as a result of such failure to give notice); (b) permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration) using counsel reasonably satisfactory to the Indemnified Party; and (c) cooperate as requested (at the expense of the Indemnifying Party) in the defense of the claim. If the Indemnifying Party does not assume control of such defense within [***] days after receiving notice of the claim from the Indemnified Party, the Indemnified Party shall control such defense and, without limiting the Indemnifying Party's indemnification obligations, the Indemnifying Party shall reimburse the Indemnified Party for all costs, including reasonable attorney fees, incurred by the Indemnified Party in defending itself within [***] days after receipt of any invoice therefor from the Indemnified Party. The Party not controlling such defense may participate therein at its own expense. The Party controlling such defense shall keep the other Party

advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider recommendations made by the other Party with respect thereto. The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, delayed or conditioned. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto, that imposes any liability or obligation on the Indemnified Party or that acknowledges fault by the Indemnified Party without the prior written consent of the Indemnified Party.

11.4 **Insurance**. Each Party, at its own expense, shall maintain product liability and other appropriate insurance (or self-insure) in an amount consistent with industry standards during the Term. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request.

11.5 **Limitation of Liability**. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 0 IS INTENDED TO OR SHALL LIMIT OR RESTRICT (A) THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTION 0 OR 0, OR (B) DAMAGES AVAILABLE FOR A PARTY'S BREACH OF ITS CONFIDENTIALITY AND NON-USE OBLIGATIONS UNDER ARTICLE 12.

## ARTICLE 12
## CONFIDENTIALITY

12.1 **Confidential Information**. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, each Party agrees that, during the Term and for [***] years thereafter, such Party (the "**Receiving Party**") shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose, other than as expressly provided for in this Agreement, any Confidential Information furnished to it by or on behalf of the other Party (the "**Disclosing Party**"). The Receiving Party may use Confidential Information only to the extent required to accomplish the purposes of this Agreement. The Receiving Party shall use at least the same standard of care as it uses to protect proprietary or confidential information of its own, but no less than reasonable care, to ensure that its, and its Affiliates' and Sublicensees', employees, agents, consultants and other representatives ("**Representatives**") do not disclose or make any unauthorized use of the Confidential Information. The Receiving Party will promptly notify the Disclosing Party upon discovery of any unauthorized use or disclosure of the Confidential Information. For the avoidance of doubt, Verrica shall not disclose or make any unauthorized use of any process information contained in the Drug Master File for any purpose relating to the Manufacture of API.

12.2 **Exceptions**. Confidential Information shall not include any information that the Receiving Party can prove by competent evidence: (a) is now, or hereafter becomes, through no act or failure to act on the part of the Receiving Party in breach of this Agreement, generally known

or available to the public; (b) is known by the Receiving Party at the time of receiving such information, as evidenced by its records; (c) is hereafter furnished to the Receiving Party on a non-confidential basis by a Third Party, as a matter of right (*i.e.*, without breaching any obligation such Third Party may have to the Disclosing Party); or (d) is independently discovered or developed by the Receiving Party, independently of the activities undertaken by the Receiving Party pursuant to this Agreement and without the use of Confidential Information of the Disclosing Party, as evidenced by the Receiving Party's contemporaneously-maintained written records.

12.3 **Authorized Disclosure**. Each Party may disclose Confidential Information of the other Party as expressly permitted by this Agreement, or if and to the extent such disclosure is necessary in the following instances:

**(a)** filing or prosecuting Patents as permitted by this Agreement;

**(b)** enforcing such Party's rights under this Agreement and performing its obligations under this Agreement;

**(c)** prosecuting or defending litigation as permitted by this Agreement;

**(d)** complying with applicable court orders or applicable laws, rules and regulations, or the listing rules of any exchange on which such Party's securities are traded;

**(e)** in Regulatory Filings that the Receiving Party has the right to file, or holds, as expressly set forth in this Agreement;

**(f)** disclosure to the Receiving Party's Affiliates, licensees and sublicensees/Sublicensees, potential licensees and sublicensees/Sublicensees, and to the Receiving Party's and its Affiliates' Representatives who, in each case, need to know such information in order for the Receiving Party to exercise its rights or fulfill its obligations under this Agreement, provided, in each case, that any such Affiliate, actual or potential licensee or sublicensee/Sublicensee, or Representative agrees to be bound by terms of confidentiality and non-use at least as restrictive as those set forth in this 0; and

**(g)** disclosure to Third Parties in connection with due diligence or similar investigations by such Third Parties, and disclosure to potential Third-Party investors in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use.

Notwithstanding the foregoing, if the Receiving Party is required to make a disclosure of the Disclosing Party's Confidential Information pursuant to Section 0 or 0, it will, except where impracticable, (i) give reasonable advance notice to the Disclosing Party of such disclosure, (ii) use efforts to secure confidential treatment of such information at least as diligent as the Receiving Party would use to protect its own confidential information, but in no event less than reasonable efforts, and (iii) cooperate with any efforts by the Disclosing Party, at the Disclosing Party's request and expense, to secure confidential treatment of such Confidential Information. Disclosure by the Receiving Party of Confidential Information in accordance with any of the foregoing provisions of this Section 0 shall not, in and of itself, cause the information so disclosed to cease

to be treated as Confidential Information under this Agreement, except to the extent that, by virtue of disclosure by the Receiving Party in full compliance with this Section 0, such information becomes generally known or available.

12.4 **Confidentiality of this Agreement**. Except as otherwise provided in this 0 each Party agrees not to disclose to any Third Party the terms of this Agreement without the prior written consent of the other Party hereto, except that each Party may disclose the terms of this Agreement that are otherwise made public as contemplated by Section 0 or to the extent such disclosure is permitted under Section 0.

12.5 **Public Announcements**.

**(a)** The Parties shall agree on the content and form of the expected press release from each Party and shall coordinate to the extent reasonably practicable, the timing of the initial press releases in order to accomplish the same promptly upon execution and delivery of this Agreement. The initial press releases of the Parties are attached hereto as Exhibit 0. Except to the extent already disclosed in a press release or other public communication issued in accordance with this Agreement, no public announcement concerning this Agreement, its subject matter or the transactions described herein shall be made, either directly or indirectly, by either Party or its Affiliates, except as may be required, in the good faith discretion of such Party's counsel, by Applicable Law (including disclosure requirements of the U.S. Securities and Exchange Commission ("**SEC**")), judicial order, or stock exchange or quotation system rule without first obtaining the approval of the other Party and agreement upon the nature, text and timing of such announcement, which approval and agreement shall not be unreasonably withheld or delayed. The Party desiring to make any such voluntary public announcement shall provide the other Party with a written copy of the proposed announcement in reasonably sufficient time prior to public release to allow the other Party to comment upon such announcement, prior to public release. In the case of press releases or other public communications required to be made by law, judicial order or stock exchange or quotation system rule, the Party making such press release or public announcement shall provide to the other Party a copy of the proposed press release or public announcement in written or electronic form upon such advance notice as is practicable under the circumstances for the purpose of allowing the notified Party to review and comment upon such press release or public announcement. Under such circumstances, the releasing Party shall not be obligated to delay making any such press release or public communication beyond the time when the same is required to be made. Neither Party shall be required to seek the permission of the other Party to repeat any information regarding the terms of this Agreement or any amendment hereto that has already been publicly disclosed by such Party or by the other Party in accordance with this Section 0; *provided* that such information remains accurate as of such time and provided the frequency and form of such disclosure are reasonable.

**(b)** Each Party may make public statements regarding this Agreement in response to questions by the press, analysts, investors or those attending industry conferences or financial analyst calls, *provided* that any such public statement or press release: (i) is not inconsistent with prior public disclosures or public statements made in accordance with Section 0 or as permitted by Section 0; and (ii) does not reveal (A) information regarding the terms of this Agreement that have not previously been disclosed in accordance with Section 0 or as permitted by Section 0 or (B) non-public information about the other Party.

**(c)** The Parties shall reasonably coordinate in advance with each other in connection with the filing of this Agreement (including redaction of certain provisions of this Agreement) with the SEC or other governmental agency or any stock exchange on which securities issued by a Party or its Affiliate are traded. Each Party shall use reasonable efforts to seek and obtain confidential treatment for the provisions of this Agreement that the Parties mutually agree to redact from such filing; provided that each Party shall ultimately retain ultimate discretion to disclose such information to the SEC or any stock exchange or other governmental agency (as the case may be) as such Party determines, based on advice of legal counsel, is required to be so disclosed. Except as expressly set forth in this 0, neither Party (or its Affiliates) shall be obligated to consult with or obtain approval from the other Party with respect to any filings with the SEC or any stock exchange or other governmental agency where such filings do not disclose Confidential Information of the other Party.

12.6 **Publications**. Each Party recognizes that the publication of scientific and medical papers regarding results of and other information regarding Products, including oral presentations and abstracts, may be beneficial to both Parties provided such publications are subject to reasonable controls to protect Confidential Information. Accordingly, a Party may review and comment on any material proposed for disclosure or publication by the other Party, such as by oral presentation, manuscript or abstract, relating to the Development, Manufacture or Commercialization Products or that includes Confidential Information of the other Party. Before any such material is submitted for publication or disclosure (other than oral presentation materials and abstracts, which are addressed below), the Party proposing publication shall deliver a complete copy to the other Party at least [***] days prior to submitting the material to a publisher or initiating such other disclosure, and such other Party shall review any such material and give its comments to the Party proposing publication within [***] days of the delivery of such material to such other Party. With respect to oral presentation materials and abstracts, the Party proposing publication shall deliver a complete copy to the other Party at least [***] days prior to the anticipated date of the presentation, and such other Party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the Party proposing publication with appropriate comments, if any, but in no event later than [***] days from the date of delivery to the non-publishing Party. The publishing Party shall comply with the other Party's request to delete references to the other Party's Confidential Information in any such material and shall delay any submission for publication or other public disclosure for a period of up to an additional [***] days for the purpose of preparing and filing appropriate patent applications. For clarity, this Section 0 is intended to set forth the procedures for scientific and medical presentations and publications, and other public disclosures (e.g., press releases, investor presentations and the like) are addressed in Section 0 and Section 0.

## ARTICLE 13
## TERM AND TERMINATION

13.1 **Term**. This Agreement shall become effective on the Effective Date and, unless earlier terminated pursuant to this 0, shall remain in effect on Product-by-Product and a country-by-country basis, until the expiration of the Royalty Term of such Product in such country (the "**Term**"). Upon the expiration of the Royalty Term for a Product in a particular country, the licenses granted by Lytix to Verrica under Section 0 with respect to such Product and such country shall become fully-paid, royalty free and non-exclusive.

13.2 **Unilateral Termination by Verrica.** At any time after the first (1st) anniversary of the Effective Date, Verrica may terminate this Agreement, on a Region-by-Region basis or in its entirety, for any or no reason upon [***].

13.3 **Termination by Lytix for Competing Product**.

**(a) Competing Product**. Subject to Section 0, Lytix may terminate this Agreement in its entirety or on a Region-by-Region basis, as determined by Lytix in its sole discretion, upon [***].

**(b) Cure**. Lytix may not terminate this Agreement pursuant to Section 0 if (x) Verrica's activities with respect to a Competing Product are either by an Acquirer of Verrica or an Affiliate that became and an Affiliate of Verrica after the Effective Date and (y) Verrica (i) ceases Development or Commercialization activities with respect to such Competing Product within such [***]-day period such that Lytix would not otherwise have had the right to terminate this Agreement pursuant to Section 0 or (ii) notifies Lytix in writing that Verrica intends to complete the Divestiture of such Competing Product and so completes such Divestiture within [***] months from the receipt of notice under Section 13.3(a).

13.4 **Termination by Either Party for Breach.**

**(a) Breach.** Subject to Section 0, each Party may terminate this Agreement upon written notice to the other Party if such other Party materially breaches its obligations under this Agreement and, after receiving written notice from the non-breaching Party identifying such material breach in reasonable detail, fails to cure such material breach within [***] days from the date of such notice; provided that if such breach is not reasonably capable of cure within such [***]-day period, the breaching Party may submit a reasonable cure plan prior to the end of such [***]-day period, in which case the other Party shall not have the right to terminate this Agreement for so long as the breaching Party is using Commercially Reasonable Efforts to implement such cure plan.

**(b) Disputed Breach.** If the alleged breaching Party disputes in good faith the existence or materiality of a breach specified in a notice provided by the other Party in accordance with Section 0, and such alleged breaching Party provides the other Party notice of such dispute within such [***]-day period, then the non-breaching Party shall not have the right to terminate this Agreement under Section 0 unless and until the arbitrators, in accordance with 0, has determined that the alleged breaching Party has materially breached this Agreement and that such Party fails to cure such breach within [***] days following such arbitrators' decision. During the pendency of such dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder.

13.5 **Termination for Patent Challenge.** Lytix may terminate this Agreement in its entirety upon [***] days' written notice if Verrica or its Affiliates or Sublicensees, individually or in association with any other Person, commences a legal action anywhere in the world challenging the validity, enforceability or scope of any Licensed Patent that is included in the License at such time ("**Patent Challenge**"); provided that a Patent Challenge does not include any counterclaim or defensive challenge made in any legal action or other proceeding commenced or maintained by

Verrica, its Affiliates or its Sublicensees in response to any claim or action brought in the first instance by, or on behalf of Lytix or its Affiliates. The commencement of a Patent Challenge by Verrica shall not be grounds for termination of this Agreement if (i) such Patent Challenge is withdrawn or (ii) Verrica demands in writing that such Sublicensee withdraw such Patent Challenge and terminates its sublicense of the License to such Sublicensee, in each case ((i) and (ii)) within [***] days of Verrica becoming aware of such Patent Challenge.

13.6 **Termination by Either Party for Bankruptcy**. Either Party may terminate this Agreement if, at any time, the other Party (a) files in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of such other Party or of its assets, (b) proposes a written agreement of composition or extension of its debts, (c) is served with an involuntary petition against it, filed in any insolvency proceeding that is not dismissed within [***] days after the filing thereof, (d) proposes or is a party to any dissolution or liquidation, or (e) makes an assignment for the benefit of its creditors.

13.7 **Full Force and Effect During Notice Period.** This Agreement shall remain in full force and effect until the expiration of the applicable termination notice period. For clarity, if any Development Milestone Event or Sales Milestone Event is achieved during the termination notice period, then the corresponding milestone payment in respect of such Development Milestone Event or Sales Milestone Payment (as applicable) is accrued and Verrica shall remain responsible for the payment of such milestone payment even if the due date of such milestone payment may come after the effective date of the termination.

13.8 **Effect of Termination**.

**(a)** Upon termination of this Agreement in its entirety or with respect to one or more countries or Regions or one or more Products by Verrica pursuant to Section 0, or by Lytix pursuant to Sections 0, 0, 0 or 0, the following shall apply:

**(i)** **Reversion of Rights**. All rights and licenses granted to Verrica under this Agreement shall terminate and revert to Lytix, provided that if this Agreement is only terminated with respect to one or more countries or Regions, only the rights and licenses with respect to such country or countries or Regions shall terminate and revert to Lytix;

**(ii)** **Regulatory Approval.** In the event that this Agreement is terminated by Verrica pursuant to Section 13.2 or by Lytix pursuant to Section 13.3 or 13.4, then, if at the time of termination of this Agreement, Verrica holds or has rights in or to any Regulatory Approvals for the Product in the terminated countr(ies) or Region, Verrica shall assign to Lytix or a Third Party designated by Lytix all such Regulatory Approvals for the Product, at Verrica's cost and expense. In addition, upon Lytix's written request, Licensee shall, at Verrica's sole cost and expense, provide to Lytix copies of all tangible Development Data and Regulatory Filings Controlled by Verrica in the Territory necessary or useful for obtaining Regulatory Approval in the terminated countr(ies) or Region. Upon any such termination in such countr(ies) or Region, Verrica shall grant and does hereby grant to Lytix a transferrable Right of Reference to all Regulatory Filings pertaining to the Product submitted by or on behalf of Verrica anywhere in the Territory solely for the purpose of seeking, obtaining, and maintaining Regulatory Approval of

Product in such terminated countr(ies) or Region, including in interactions with any Regulatory Authority in connection with Development or Regulatory Approval of Product in such terminated countr(ies) or Region. The Parties shall discuss and establish appropriate arrangements with respect to safety data exchange.

**(iii) Inventory**. In the event that this Agreement is terminated in its entirety, Lytix shall have the right, but not the obligation, to purchase any and all of the inventory of Product held by Verrica or its Affiliates as of the date of termination, at a price equal to the Cost of Goods of such inventory, together with any applicable external costs of transportation, storage and insurance, and import and export taxes and fees. If Lytix does not elect to purchase such inventory from Verrica, Verrica shall have the right to continue to sell such inventory of Product in the Licensed Field in the Territory for [***] months after the date of termination of this Agreement, subject to Verrica's continued payment of royalties on Net Sales of Product during such period in accordance with Section 0.

**(iv) Intellectual Property.**

**(A) Verrica IP**. Verrica shall, and shall cause its Affiliates and Sublicensees to, disclose to Lytix (1) any and all Information Controlled by Verrica, its Affiliates, or Sublicensees as of the effective date of termination of this Agreement that has been generated by or on behalf of Verrica, its Affiliates or Sublicensees with respect to Product, (2) any Verrica Inventions, and (3) any Patents Controlled by Verrica or its Affiliates that Cover the Product in the Licensed Field in the Territory, in each case that are necessary or reasonably useful to enable Lytix to Develop and Commercialize Product in the Licensed Field in the terminated country or countries or Region, as applicable (collectively, the "**Verrica IP**"). After receipt of the Verrica IP, Lytix may notify Verrica that it wishes to obtain a license to the Verrica IP to Develop and Commercialize Product in the Licensed Field in the terminated country or countries or Region, as applicable. The Parties shall negotiate the terms of such license in good faith for a period not to exceed [***] days. The terms of such license will include a mutually agreed upon payment on signing of the license, and will include milestone payments to become due upon the achievement of the then-remaining development milestone events set forth in Section 0 and the sale-based milestone events set forth in Section 0, together with royalty payments. Any such Verrica IP shall be subject to the confidentiality obligations and exemptions from confidentiality obligations set forth in 0. If the Parties are unable to agree on the terms and execute a definitive agreement with respect to the Verrica IP during such [***]-day negotiation period, then they may have such terms determined by baseball arbitration pursuant to Section 0.

**(B) Regulatory Filings**. With respect to Product to which Lytix obtains a license pursuant to Section 0, Verrica shall and does hereby assign, and shall cause its Affiliates and Sublicensees to assign, to Lytix all of their right, title and interest in and to all Regulatory Filings with respect to such Product in the Licensed Field in the terminated country or countries or Region, as applicable, including any Regulatory Approvals and applications therefor.

**(C) Trademarks**. If, as of the date of termination, Verrica has Commercialized the Product to which Lytix obtains a license pursuant to Section 0, Verrica shall and hereby does grant Lytix a non-exclusive, royalty-bearing license under the Product Marks to Commercialize such Product in the terminated country or countries or Region, as applicable, on commercially reasonable terms to be negotiated by the parties as part of the negotiation set forth

in Section 0 (and, for the avoidance of doubt, in case of inability to agree on such terms such matter shall be included in the baseball arbitration pursuant to Section 0).

**(b)** Subject to Section 13.8(a), Lytix will not have any rights with respect to any Information generated by Verrica with respect to such terminated Product and such country or countries or Region, to any Verrica Inventions, or to any Patents Controlled by Verrica or its Affiliates, and Verrica will have no further obligations to Lytix with respect to any such terminated Product and such country or countries or Region.

**(c)** Subject to Section 13.8(a), upon expiration or termination of this Agreement for any reason, each Party, at the request of the other Party, shall return, or at the election of the other Party, destroy, and thereafter provide the other Party written certification evidencing such destruction, all data, files, records and other materials in its or its Affiliates' or, with respect to Verrica, Sublicensees, possession or control containing or comprising such other Party's Confidential Information.

13.9 **Survival**. Termination or expiration of this Agreement shall not affect any rights or obligations of the Parties under this Agreement that have accrued prior to the date of termination or expiration. Notwithstanding anything to the contrary, the following provisions shall survive any expiration or termination of this Agreement: Sections 2.4, 8.8 through 8.11 (inclusive), 9.1, 10.6, 13.8, and 13.9, and Articles 1, 11, 12, 14, and 15.

## ARTICLE 14
## DISPUTE RESOLUTION

14.1 **Disputes**. Except as provided in Section 0 and Section 0, upon the written request of either Party to the other Party, either Party may refer any claim, dispute, or controversy or claim arising out of or related to this Agreement (a "**Dispute**") to the Senior Executive of Verrica and the Senior Executive of Lytix for resolution. If the Senior Executives are unable to resolve such matter within [***] days after the initial written request, then, upon the written demand of either Party, the Parties shall resolve such matter by binding arbitration, as provided in Section 0. Any disputes about the propriety of commencing arbitration or the scope or applicability of the agreement to arbitrate shall be finally settled by the arbitral tribunal.

14.2 **Arbitration**.

**(a)** Any Dispute shall be resolved by final and binding arbitration under the rules of the International Chamber of Commerce as then in effect (the "**Rules**"), except as they be modified herein or by mutual agreement of the Parties.

**(b)** The arbitration shall be conducted by one or more arbitrator(s) appointed in accordance with the Rules; *provided* that: (i) such arbitrator(s) is not a current or former employees or directors, or current stockholders, of either Party, any of their respective Affiliates or any Sublicensee; and (ii) each arbitrator(s) has experience and familiarity with commercial licensing practices in the pharmaceutical and biotechnology industries. The seat, or legal place, of arbitration shall be New York, New York, USA, and all proceedings and communications shall be in the English language.

**(c)** The arbitral tribunal shall permit discovery (including both the production of documents and deposition testimony) as reasonably necessary for an understanding of any legitimate issue raised in the arbitration, while also taking into account the desirability of making discovery efficient and cost-effective, and, in addition to the authority conferred upon the arbitral tribunal by such Rules, the arbitral tribunal shall have the authority to order production of documents in accordance with the IBA Rules on the Taking of Evidence in International Arbitration as current on the commencement of the arbitration.

**(d)** The arbitral tribunal shall have the power to grant any remedy or relief that it deems appropriate, whether provisional or final, including but not limited to conservatory relief and injunctive relief, provided that the arbitral tribunal's authority to award special, incidental, consequential or punitive damages is subject to the limitation set forth in Section 0, except to the extent the substantive laws of the State of New York, USA, do not permit such limitation. The award shall be rendered within [***] of the appointment of the arbitral tribunal unless the Parties jointly request an extension, or the arbitral tribunal determines, in a reasoned decision that the interest of justice or the complexity of the case requires that such limit be extended.

**(e)** The arbitration award shall be final and binding on the Parties, and the Parties undertake to carry out the award without delay. Judgment upon the award may be entered in any court of competent jurisdiction.

**(f)** During the pendency of the arbitration, each Party shall bear its own attorneys' fees, costs, and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitration and the arbitral tribunal shall fix costs in the arbitral award in accordance with the Rules.

14.3 **Confidentiality of Arbitration**. The existence and content of the arbitral proceedings and any rulings or awards shall be kept confidential by the Parties and the arbitral tribunal except (a) to the extent that disclosure may be required of a Party to fulfill a legal duty, protect or pursue a legal right, or enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority, (b) with the consent of all Parties, (c) where needed for the preparation or presentation of a claim or defense in this arbitration, (d) where such information is already in the public domain other than as a result of a breach of this clause, or (e) by order of the arbitral tribunal upon application of a Party.

14.4 **Injunctive Relief; Court Actions**. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim injunctive or other interim relief in the context of a *bona fide* emergency or prospective irreparable harm, and such an action may be filed and maintained notwithstanding any ongoing discussions between the Parties or any ongoing arbitration proceeding. In addition, either Party may bring an action in any court of competent jurisdiction to resolve disputes pertaining to the validity, construction, scope, enforceability, infringement or other violations of Patents or other intellectual property rights, and no such claim shall be subject to arbitration pursuant to Section 0.

14.5 **Baseball Arbitration**. If the Parties fail to agree on any matter described in Section 0 and a Party submits such failure to baseball arbitration for final resolution, then relevant failure to agree shall be resolved in accordance with this Section 0. Within [***] Business Days following a Party's receipt of any baseball arbitration notice from the other Party, the Parties shall meet and attempt to agree on an independent Third Party expert with at least ten (10) years of experience in the licensing of biopharmaceutical compounds or products. If the Parties cannot agree on such expert within such time period, then each Party may nominate one independent expert within [***] Business Days after such [***]-Business Day period and the two experts so selected shall nominate the final independent expert within [***] Business Days of their nomination. Within [***] Business Days of her or their appointment, the expert(s) shall set a date for the arbitration, which date shall be scheduled as soon as possible and is intended to be scheduled no more than [***] days after the date the arbitration is demanded. At least [***] Business Days prior to the arbitration, each Party shall provide the expert with a complete, written proposal of such Party's solution to the applicable Dispute, along with any documentary or other evidence it wishes to provide in support for such proposal. After receiving both Parties' proposals, the expert(s) will have the right to meet with the Parties as necessary to inform the expert's determination and to perform independent research and analysis. The expert(s) will be instructed to select one of the Party's proposals without modification within [***] days following the receipt of both proposals. The expert(s) will deliver her/their decision regarding the disputed matter in writing, which decision will be made in accordance with the standard for resolution of such matter set forth in this Agreement and will be binding and conclusive upon both Parties. The Party whose proposal is not selected by the experts is responsible for the fees of the experts and the costs and expenses of the baseball arbitration. The provisions of Section 0 and Section 0 apply to any baseball arbitration proceedings commenced under this Section 0 *mutatis mutandis*.

14.6 **Patent and Trademark Disputes.** Any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any patents or trademarks covering the Manufacture, use, importation, offer for sale or sale of a Product shall be submitted to a court of competent jurisdiction in the country in which such patent or trademark rights were granted or arose.

## ARTICLE 15
## MISCELLANEOUS

15.1 **Rights Upon Bankruptcy**. All rights and licenses granted under or pursuant to this Agreement to Verrica or Lytix are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code and other similar foreign laws, licenses of rights to "intellectual property" as defined under Section 101 of the United States Bankruptcy Code or other similar foreign laws. The Parties shall retain and may fully exercise all of their rights and elections under the United States Bankruptcy Code (or any comparable provision of the laws applicable to bankruptcies or insolvencies), and other similar foreign laws. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the United States Bankruptcy Code, or other similar foreign laws, the non-debtor Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property and the same, which, if not already in

the non-debtor Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon the non-debtor Party's written request therefor, unless the debtor Party continues to perform all of its obligations under this Agreement or (b) if not delivered under clause (a) above, following the rejection of this Agreement by or on behalf of the debtor Party upon written request therefor by the non-debtor Party.

15.2 **Governing Law**. This Agreement and any disputes, claims, or actions related thereto shall be governed by and construed in accordance with the laws of the State of New York, USA, without regard to any conflicts of law provisions thereof that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods.

15.3 **Entire Agreement; Amendment**. This Agreement, including the Exhibits hereto, is both a final expression of the Parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by an authorized representative of each Party.

15.4 **Relationship Between the Parties**. The Parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative of the other Party, and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever. The Parties (and any successor, assignee, transferee, or Affiliate of a Party) shall not treat or report the relationship between the Parties arising under this Agreement as a partnership for United States tax purposes, without the prior written consent of the other Party unless required by Applicable Law.

15.5 **Non-Waiver**. The failure of a Party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a Party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by an authorized representative of such Party.

15.6 **Assignment**. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld); *provided*, *however*, that either Party may assign this Agreement and its rights and obligations hereunder without the other Party's consent (a) to an Affiliate of such Party, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate, and (b) in connection with the transfer or sale of all or substantially all of the assets of such Party to a Third Party, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of a

transaction (whether this Agreement is actually assigned or is assumed by the acquiring Party by operation of law (*e.g.*, in the context of a reverse triangular merger)). Any attempted assignment not in accordance with this Section 15.6 shall be null and void and of no legal effect. The rights and obligations of the Parties under this Agreement are binding upon and inure to the benefit of the successors and permitted assigns of the Parties, and the name of a Party appearing herein shall be deemed to include the name of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this section. Any assignment not in accordance with this Agreement is void.

15.7 **No Third-Party Beneficiaries**. This Agreement is neither expressly nor impliedly made for the benefit of any Party other than those executing it.

15.8 **Severability**. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

15.9 **Notices**. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or electronic mail confirmed thereafter by any of the foregoing, to the Party to be notified at its address(es) given below, or at any address such Party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if delivered by overnight courier, the next Business Day the overnight courier regularly makes deliveries; or (c) if sent by electronic mail, upon electronic confirmation of receipt.

| | |
|---|---|
| If to Lytix: | Lytix Biopharma AS<br>Hoffsveien 4<br>0275 Oslo<br>Norway<br>Attention: [***]<br>Email: [***] |
| With a copy (which shall not constitute notice) to: | [***] |
| If to Verrica: | Verrica Pharmaceuticals, Inc.<br>10 North High Street<br>Suite 200,<br>West Chester, Pennsylvania 19380<br>United States of America<br>Attention: [***]<br>Email: [***] |

With a copy to:

Cooley LLP
11951 Freedom Drive
Suite 1500
Reston, Virginia 20190
United States of America
Attention: Kenneth J. Krisko
Email: kkrisko@cooley.com

15.10 **Force Majeure**. Each Party shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by force majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued only for so long as (a) the condition constituting force majeure continues and (b) the nonperforming Party takes all reasonable efforts to remove the condition. For purposes of this Agreement, force majeure includes conditions beyond the reasonable control of the applicable Party, which may include an act of God, war, civil commotion, terrorist act, labor strike or lock-out, epidemic, pandemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm or like catastrophe, action or inaction of any Governmental Authority, and failure of plant or machinery. Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a force majeure affecting such Party. If a force majeure persists for more than [***] days, then the Parties shall discuss in good faith the modification of the Parties' obligations under this Agreement in order to mitigate the delays caused by such force majeure.

15.11 **Interpretation**. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. All references to days in this Agreement means calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement shall be in the English language.

15.12 **Construction**. Except where the context expressly requires otherwise, (a) the use of any gender herein encompasses references to either or both genders, and the use of the singular shall be deemed to include the plural (and vice versa), (b) the words "include", "includes" and "including" are deemed followed by the phrase "without limitation", (c) any definition of or reference to any agreement, instrument or other document herein refers to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (d) any reference herein to any person includes the person's successors and assigns, (e) the words

"herein", "hereof" and "hereunder", and words of similar import, refer to this Agreement in its entirety and not to any particular provision hereof, (f) all references herein to Sections or Exhibits refer to Sections or Exhibits of this Agreement, and references to this Agreement include all Exhibits hereto, and (g) the word "or" is disjunctive but not necessarily exclusive.

15.13 **Performance by Affiliates**. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

15.14 **Counterparts**. This Agreement may be executed in counterparts, including by transmission of facsimile or PDF copies of signature pages to the Parties or their representative legal counsel, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

**[Remainder of this page intentionally left blank.]**

**In Witness Whereof,** the Parties have executed this Exclusive License Agreement by their duly authorized officers as of the Effective Date.

| | |
|---|---|
| **Verrica Pharmaceuticals Inc.** | **Lytix Biopharma AS** |
| By: /s/ Ted White | By: /s/ Øystein Rekdal |
| Name: Ted White | Name: Øystein Rekdal |
| Title: President and CEO | Title: CEO |

**Exhibit 31.1**

**VERRICA PHARMACEUTICALS INC.**
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ted White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2020 of Verrica Pharmaceuticals Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2020

/s/ Ted White
Ted White
President and Chief Executive Officer
(principal executive officer)

**Exhibit 31.2**

**VERRICA PHARMACEUTICALS INC.**
**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, A. Brian Davis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2020 of Verrica Pharmaceuticals Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2020

/s/ A. Brian Davis
A. Brian Davis
Chief Financial Officer
(principal financial officer)

**Exhibit 32.1**

**VERRICA PHARMACEUTICALS INC.**
**PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350),Ted White, President and Chief Executive Officer of Verrica Pharmaceuticals Inc. (the "Company"), and A. Brian Davis, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

**1.** The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2020, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

**IN WITNESS WHEREOF** , the undersigned have set their hands hereto as of the 9th day of November, 2020.

| | |
|---|---|
| /s/ Ted White | /s/ A. Brian Davis |
| Ted White<br>President and Chief Executive Officer<br>(principal executive officer) | A. Brian Davis<br>Chief Financial Officer<br>(principal financial officer) |

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