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: 001-37718

Spring Bank Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**52-2386345**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
35 Parkwood Drive, Suite 210 Hopkinton, MA	**01748**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (508) 473-5993

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	SBPH	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 2, 2020, the registrant had 17,267,202 shares of common stock, $0.0001 par value per share, outstanding.

Spring Bank Pharmaceuticals, Inc.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, projected costs, prospects, plans and objectives of management, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "design," "expect," "seek," "plan," "anticipate," "could," "intend," "target," "project," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions.

These forward-looking statements include, but are not limited to, statements about:

- our proposed combination with F-star Therapeutics Limited ("F-star");
- our ongoing and planned preclinical studies and clinical trials;
- preclinical study data and clinical trial data and the timing of results of our ongoing clinical studies and/or trials; and
- our estimates regarding prospects, strategies, expenses, operating capital requirements, results of operations and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Factors that could cause actual results or events to differ materially from the forward-looking statements that we make include, but are not limited to, the following:

- Our proposed business combination with F-star is subject to a number of closing conditions, including a condition requiring our stockholders to approve the issuance of Spring Bank common stock at the closing of the proposed combination, and it may never occur. Even if this proposed combination is completed, the number of shares of our common stock to be issued to the holders of share capital of F-star will be based on an exchange ratio formula that is subject to adjustment based on, among other things, the amount of our net cash upon the closing of the business combination and the amount of proceeds from a concurrent private placement conducted by F-star. This exchange ratio is not adjustable based on the value of our shares of common stock or on the value of the share capital of F-star. The proposed combination also contemplates that our stockholders as of a date prior to the closing of the business combination will receive two separate contingent value rights related to our STING programs. There can be no assurance that our stockholders will ever receive payment pursuant to these rights, and these rights may expire valueless.
- We are very early in our development efforts and our product candidates may not be successful in later stage clinical trials. Results obtained in our preclinical studies and clinical trials to date are not necessarily indicative of results to be obtained in future clinical trials. As a result, our product candidates may never be approved as marketable therapeutics.
- We rely, and expect to continue to rely, on third parties to conduct our clinical trials and to manufacture our product candidates for preclinical and clinical testing. These third parties may not perform satisfactorily, which could delay our product development activities.
- If we are unable to adequately protect our proprietary technology or obtain and maintain issued patents which are sufficient to protect our product candidates, others could compete against us more directly, which would have a material adverse impact on our business, results of operations, financial condition and prospects.
- Business interruptions resulting from the coronavirus disease 2019 (COVID-19) outbreak or similar public health crises could cause a disruption of the development of our product candidates and adversely impact our business.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. You should also read carefully the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2019, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on February 14, 2020, May 7, 2020 and August 10, 2020, respectively, to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements. You are advised, however, to consult any further disclosures we make on related subjects in our subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, press releases, and our website. Any forward-looking statements that we make in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SPRING BANK PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Data)

	September 30, 2020	December 31, 2019
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 9,988	$ 28,709
Marketable securities	9,993	25,746
Prepaid expenses and other current assets	2,599	3,522
Total current assets	22,580	57,977
Property and equipment, net	1,926	2,234
Operating lease right-of-use assets	2,504	2,717
Restricted cash	—	234
Other assets	234	35
Total	$ 27,244	$ 63,197
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,135	$ 2,210
Accrued expenses and other current liabilities	2,777	2,438
Accrued interest payable	—	403
Operating lease liabilities, current	333	355
Total current liabilities	6,245	5,406
Convertible term loan, net of unamortized discount	—	19,070
Warrant liabilities	56	299
Operating lease liabilities, noncurrent	2,629	2,869
Other long-term liabilities	—	27
Total liabilities	8,930	27,671
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.0001 par value—authorized, 10,000,000 shares at September 30, 2020 and December 31, 2019; no shares issued or outstanding at September 30, 2020 and December 31, 2019	—	—
Common stock, $0.0001 par value—authorized, 200,000,000 shares at September 30, 2020 and December 31, 2019; 17,267,202 and 16,513,763 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	2	2
Additional paid-in capital	164,562	161,924
Accumulated deficit	(146,245)	(126,165)
Accumulated other comprehensive loss	(5)	(235)
Total stockholders' equity	18,314	35,526
Total	$ 27,244	$ 63,197

See accompanying notes to consolidated financial statements.

SPRING BANK PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In Thousands, Except Share and Per Share Data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating expenses:				
Research and development	$ 2,516	$ 5,228	$ 11,023	$ 18,070
General and administrative	2,832	2,247	7,875	7,547
Total operating expenses	5,348	7,475	18,898	25,617
Loss from operations	(5,348)	(7,475)	(18,898)	(25,617)
Other income (expense):				
Interest income	8	271	293	957
Interest expense	—	(63)	(511)	(63)
Loss on extinguishment of convertible term loan	—	—	(1,207)	—
Change in fair value of warrant liabilities	(18)	355	243	8,061
Net loss	(5,358)	(6,912)	(20,080)	(16,662)
Unrealized gain/(loss) on marketable securities	(4)	(20)	230	(233)
Comprehensive loss	$ (5,362)	$ (6,932)	$ (19,850)	$ (16,895)
Net loss per common share - basic and diluted	$ (0.31)	$ (0.42)	$ (1.19)	$ (1.01)
Weighted-average number of shares outstanding - basic and diluted	17,248,545	16,459,155	16,942,582	16,446,582

See accompanying notes to consolidated financial statements.

SPRING BANK PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands, Except Share and Per Share Data)

For the Three Months Ended September 30, 2020	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2020	17,248,545	$ 2	$ 164,118	$ (140,887)	$ (1)	$ 23,232
Stock-based compensation	—	—	419	—	—	419
Issuance of common stock for services rendered	18,657	—	25	—	—	25
Net unrealized gain on marketable securities	—	—	—	—	(4)	(4)
Net loss	—	—	—	(5,358)	—	(5,358)
Balance at September 30, 2020	17,267,202	$ 2	$ 164,562	$ (146,245)	$ (5)	$ 18,314

For the Three Months Ended September 30, 2019	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2019	16,459,155	$ 2	$ 159,975	$ (111,818)	$ (218)	$ 47,941
Stock-based compensation	—	—	752	—	—	752
Issuance of common stock for services rendered	17,187	—	59	—	—	59
Issuance of warrants in connection with term loan	—	—	552	—	—	552
Issuance of warrants to a service provider	—	—	19	—	—	19
Offering costs in connection with common stock offering	—	—	25	—	—	25
Net unrealized loss on marketable securities	—	—	—	—	(20)	(20)
Net loss	—	—	—	(6,912)	—	(6,912)
Balance at September 30, 2019	16,476,342	$ 2	$ 161,382	$ (118,730)	$ (238)	$ 42,416

See accompanying notes to consolidated financial statements.

SPRING BANK PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands, Except Share and Per Share Data)

For the Nine Months Ended September 30, 2020	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2019	16,513,763	$ 2	$ 161,924	$ (126,165)	$ (235)	$ 35,526
Stock-based compensation	—	—	1,660	—	—	1,660
Issuance of common stock for services rendered	62,544	—	75	—	—	75
Issuance of common stock in connection with at-the-market offering, net of issuance costs	690,895	—	849	—	—	849
Convertible term loan warrant amendment		—	54	—	—	54
Net unrealized gain on marketable securities	—	—	—	—	230	230
Net loss	—	—	—	(20,080)	—	(20,080)
Balance at September 30, 2020	17,267,202	$ 2	$ 164,562	$ (146,245)	$ (5)	$ 18,314

For the Nine Months Ended September 30, 2019	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2018	16,434,614	$ 2	$ 157,931	$ (102,068)	$ (5)	$ 55,860
Stock-based compensation	—	—	2,647	—	—	2,647
Issuance of common stock for services rendered	41,128	—	202	—	—	202
Issuance of common stock in connection with at-the-market offering, net of issuance costs	600	—	6	—	—	6
Issuance of warrants in connection with term loan	—	—	552	—	—	552
Issuance of warrants to a service provider	—	—	19	—	—	19
Offering costs in connection with common stock offering	—	—	25	—	—	25
Net unrealized loss on marketable securities	—	—	—	—	(233)	(233)
Net loss	—	—	—	(16,662)	—	(16,662)
Balance at September 30, 2019	16,476,342	$ 2	$ 161,382	$ (118,730)	$ (238)	$ 42,416

See accompanying notes to consolidated financial statements.

SPRING BANK PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

	For the Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (20,080)	$ (16,662)
Adjustments for:		
Depreciation	287	263
Loss on the disposal of property and equipment	25	—
Operating lease right-of-use asset amortization	213	196
Change in fair value of warrant liabilities	(243)	(8,061)
Loss on extinguishment of convertible term loan	1,207	—
Non-cash interest expense	77	10
Non-cash investment expense	(247)	(60)
Non-cash stock-based compensation	1,735	2,825
Non-cash issuance of warrants to a service provider	—	19
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	923	(78)
Other assets	(199)	132
Accounts payable	925	1,106
Accrued expenses and other liabilities	(91)	(82)
Operating lease liabilities	(262)	(79)
Net cash used in operating activities	(15,730)	(20,471)
Cash flows from investing activities:		
Proceeds from sale of marketable securities	37,230	26,767
Purchases of marketable securities	(21,000)	(6,000)
Purchases of property and equipment	(4)	(208)
Net cash provided by investing activities	16,226	20,559
Cash flows from financing activities:		
Payment of convertible term loan and prepayment fee	(20,300)	—
Proceeds from term loan and warrants	—	20,000
Issuance costs in connection with term loan and warrants	—	(447)
Proceeds from issuance of common stock in connection with at-the-market offering, net of issuance costs	849	6
Cash (used in) provided by financing activities	(19,451)	19,559
Net (decrease) increase in cash, cash equivalents and restricted cash	(18,955)	19,647
Cash, cash equivalents and restricted cash, beginning of period	28,943	14,958
Cash, cash equivalents and restricted cash, end of period	$ 9,988	$ 34,605
Supplemental disclosures of cash flow information:		
Cash paid for taxes	$ 7	$ 21
Cash paid for interest, net	$ 837	$ 53

See accompanying notes to consolidated financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Spring Bank Pharmaceuticals, Inc. (the "Company") is a clinical-stage biopharmaceutical company engaged in the discovery and development of novel therapeutics for the treatment of a range of cancers and inflammatory diseases using its proprietary small molecule nucleotide platform. The Company designs its compounds to selectively target and modulate the activity of specific proteins implicated in various disease states. The Company's internally-developed programs are primarily designed to stimulate and/or dampen immune responses. The Company is devoting its resources to advancing multiple programs in its STING (STimulator of INterferon Genes) product portfolio.

Until January 2020, the Company was also developing inarigivir, an orally-administered investigational selective immunomodulator, as a potential treatment for chronic hepatitis B virus, or HBV. Inarigivir was being evaluated in multiple clinical trials, including the Company's Phase 2b CATALYST trials, designed to evaluate both treatment-naïve and virally-suppressed non-cirrhotic patients with HBV under multiple dosing regimens. On January 29, 2020, the Company announced that it terminated all clinical development of inarigivir for the treatment of HBV due to the occurrence of unexpected serious adverse events, including one patient death, in the Company's Phase 2b CATALYST trial.

On July 29, 2020, the Company and F-star Therapeutics Limited ("F-star") entered into a Share Exchange Agreement (the "Exchange Agreement") pursuant to which, subject to the satisfaction or waiver of the conditions set forth in the Exchange Agreement, the Company will acquire the entire issued share capital of F-star with F-star continuing as the combined company (the "Exchange"). The Exchange is expected to close in the fourth quarter of 2020, subject to the approval of the Company's stockholders at a special meeting of stockholders to be held on November 19, 2020, as well as other customary conditions.

Since its inception in 2002 and prior to its initial public offering ("IPO") in May 2016, the Company built its technology platform and product candidate pipeline, supported by grants and through private financings. The Company has three wholly owned subsidiaries: Sperovie Biosciences, Inc. formed in September 2015, SBP Securities Corporation formed in December 2016 and SBP International Limited formed in May 2019.

The Company's success is dependent upon its ability to successfully complete clinical development and obtain regulatory approval of its product candidates, successfully commercialize approved products, generate revenue, and, ultimately, attain profitable operations.

The pandemic caused by an outbreak of a new strain of coronavirus, or the COVID-19 pandemic, that is affecting the United States and global economy and financial markets is also impacting the Company's employees, patients, communities and business operations. 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 and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets. The Company is actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Basis of Presentation and Liquidity

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

The accompanying interim financial statements as of September 30, 2020 and for the three and nine months ended September 30, 2020 and 2019, and related interim information contained within the notes to the financial statements, are unaudited. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the Company's audited financial statements and include all adjustments (including normal recurring adjustments) necessary for the fair presentation of the Company's financial position as of September 30, 2020, results of operations for the three and nine months ended September 30, 2020 and 2019, statement of stockholders' equity for the three and nine months ended September 30, 2020 and 2019 and its cash flows for the nine months ended September 30, 2020 and 2019. These interim financial statements should be read in conjunction with the Company's audited financial statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission ("SEC") on February 14, 2020. The results for

the three and nine months ended September 30, 2020 are not necessarily indicative of the results expected for the full fiscal year or any interim period.

As of September 30, 2020, the Company had an accumulated deficit of $146.2 million and $20.0 million in cash, cash equivalents and marketable securities. On April 8, 2020, the Company repaid in full its $20.0 million convertible term loan (see Note 9).

The Company expects its $20.0 million in cash, cash equivalents and marketable securities as of September 30, 2020 will be sufficient to fund operations for at least the next twelve months. There is no guarantee that the Exchange will be completed. The Company does not expect to raise any additional funds prior to the completion of the Exchange. However, if the Exchange is not completed, the Company may require significant additional funds earlier than it currently expects in order to conduct clinical trials and preclinical and discovery activities. There can be no assurances, however, that additional funding will be available on favorable terms, or at all. To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect common stockholder rights. If the Company raises additional funds through collaborations, strategic alliances or licensing arrangements with third parties, the Company may have to relinquish valuable rights to its technologies, future revenue streams, research programs, or product candidates or grant licenses on terms that may not be favorable to the Company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Sperovie Biosciences, Inc., SBP Securities Corporation and SBP International Limited. Sperovie Biosciences, Inc. had operations consisting mainly of legal fees associated with intellectual property activities as of September 30, 2020. Sperovie Biosciences, Inc. was a joint borrower with the Company under the Company's convertible term loan (see Note 9). SBP Securities Corporation had assets primarily related to investments in marketable securities and operations consisting primarily of interest income as of September 30, 2020. SBP International Limited had operations consisting mainly of clinical trial oversight, including European data protection oversight, as of September 30, 2020. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. Significant estimates relied upon in preparing the accompanying financial statements related to the fair value of warrants, accounting for stock-based compensation, income taxes, useful lives of long-lived assets, and accounting for certain accruals. The Company evaluates its estimates and assumptions on an ongoing basis. The Company's actual results may differ from these estimates.

Cash and Cash Equivalents

Cash equivalents are stated at fair value and include short-term, highly liquid investments with remaining maturities of 90 days or less at the date of purchase. Included in cash and cash equivalents as of September 30, 2020 are money market fund investments of $8.2 million and included in cash and cash equivalents as of December 31, 2019 are money market fund investments of $21.1 million and United States treasury securities of $6.0 million, which are reported at fair value (see Note 5).

Restricted Cash

As of December 31, 2019, restricted cash consisted of approximately $234,000, which was held as a security deposit required in conjunction with a lease agreement for the Company's principal office and laboratory space entered into in October 2017. As of September 30, 2020, the Company had no restricted cash and the security deposit was included in other assets, long-term.

Concentration of Credit Risk

Financial instruments that subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash and marketable securities. Substantially all of the Company's cash is held at financial institutions that management believes to be of high credit quality. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

Investments in Marketable Securities

The Company invests excess cash balances in short-term and long-term marketable securities. The Company classifies investments in marketable securities as either held-to-maturity or available-for-sale based on facts and circumstances present at the time of purchase. At each balance sheet date presented, all investments in securities are classified as available-for-sale. The Company reports available-for-sale investments at fair value at each balance sheet date and includes any unrealized holding gains and losses (the adjustment to fair value) in accumulated other comprehensive income (loss), a component of stockholders' equity. Realized gains and losses are determined using the specific identification method and are included in other income (expense). If any adjustment to fair value reflects a decline in the value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is "other than temporary," including the intention to sell and, if so, marks the investment to market through a charge to the Company's consolidated statements of operations and comprehensive loss.

Property and Equipment, Net

Property and equipment are recorded at cost. Costs associated with maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives:

Asset Category	Useful Life
Equipment	5-7 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 10 years or the remaining term of the respective lease

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities and operating lease liabilities in the Company's consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. This is the rate the Company would have to pay if borrowing on a collateralized basis over a similar term to each lease. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their undiscounted expected future cash flows. If the undiscounted cash flows are insufficient to recover the carrying value, an impairment loss is recorded for the difference between the carrying value and fair value of the asset. As of September 30, 2020, no such impairment has occurred.

Research and Development Costs

Research and development expenses consist primarily of costs incurred for the Company's research activities, including discovery efforts, and the development of product candidates, which include:

- expenses incurred under agreements with third parties, including contract research organizations, or CROs, that conduct research, preclinical activities and clinical trials on the Company's behalf as well as contract manufacturing organizations, or CMOs, that manufacture drug products for use in the Company's preclinical and clinical trials;
- salaries, benefits and other related costs, including stock-based compensation expense, for personnel in the Company's research and development functions;
- costs of outside consultants, including their fees, stock-based compensation and related travel expenses;
- the cost of laboratory supplies and acquiring, developing and manufacturing preclinical study and clinical trial materials;
- costs related to compliance with regulatory requirements; and

- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

The Company expenses research and development costs as incurred. The Company recognizes external development costs based on an evaluation of the progress to completion of specific tasks using information provided to the Company by its vendors and its clinical investigative sites. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in the Company's consolidated financial statements as prepaid or accrued research and development expenses.

Warrants

The Company accounts for freestanding warrants within stockholders equity or as liabilities based on the characteristics and provisions of each instrument. The Company evaluates outstanding warrants in accordance with Accounting Standards Codification ("ASC") 480, *Distinguishing Liabilities from Equity*, and ASC 815, *Derivatives and Hedging*. If none of the criteria in the evaluation in these standards are met, the warrants are classified as a component of stockholders equity and initially recorded at their grant date fair value without subsequent remeasurement. Warrants that meet the criteria are classified as liabilities and remeasured to their fair value at the end of each reporting period.

Stock-Based Compensation

The Company's stock-based payments include stock options, performance-based restricted stock units ("performance-based RSUs"), time-based restricted stock units ("time-based RSUs") and grants of common stock. The Company accounts for all stock-based payment awards granted to employees and nonemployees using a fair value method. The measurement date for employee awards is the date of grant, and stock-based compensation costs are recognized as expense over the employees' requisite service period, which is generally the vesting period, on a straight-line basis. The Company accounts for forfeitures as they occur.

The Company measures the fair value of the performance-based RSUs relating to the total share return performance using a Monte Carlo valuation model. The Company measures the fair value of the performance-based RSUs relating to the milestone performance goals using the fair value method and the probability that the specified performance criteria will be met. Each quarter the Company updates its assessment of the probability that the specified milestone criteria will be achieved and adjusts its estimate of the fair value, if necessary. Stock-based compensation expense is classified in the accompanying consolidated statements of operations and comprehensive loss based on the department to which the related services are provided.

Financial Instruments

The Company's financial instruments consist of cash equivalents, marketable securities, accounts payable, a term loan and liability classified warrants. The carrying amounts of cash and cash equivalents and accounts payable approximate their fair value due to the short-term nature of those financial instruments. The fair value of the marketable securities and liability classified warrants are remeasured to fair value each reporting period (see Note 5). The fair value of the term loan approximates its face value due to market terms.

Fair Value Measurements

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a hierarchy of inputs used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The three levels of the fair value hierarchy are described below:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company's assets and liabilities measured at fair value on a recurring basis include cash equivalents, marketable securities and warrant liabilities.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock and dilutive common stock equivalents outstanding for the period, determined using the treasury-stock method and the as if-converted method, for convertible securities, if inclusion of these instruments is dilutive.

For the three and nine months ended September 30, 2020 and 2019, both methods are equivalent. Basic and diluted net loss per share is described further in Note 2.

Income Taxes

Deferred tax assets and liabilities are determined based upon the differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities as well as net operating loss and tax credit carryforwards using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company assesses its income tax positions and records tax benefits based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized in the consolidated financial statements. The Company classifies interest and penalties associated with such uncertain tax positions as a component of interest expense. As of September 30, 2020 and December 31, 2019, the Company has not identified any material uncertain tax positions.

Guarantees and Indemnifications

As permitted under Delaware law, the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity.

The Company leases its principal office and laboratory space in Hopkinton, Massachusetts under a non-cancelable operating lease. The Company has standard indemnification arrangements under the lease that require it to indemnify the landlords against liability for injury, loss, accident, or damage from any claims, actions, proceedings, or costs resulting from certain acts, breaches, violations, or nonperformance under the Company's lease.

Through September 30, 2020, the Company had not experienced any losses related to these indemnification obligations and no material claims were outstanding. The Company does not expect significant claims related to these indemnification obligations, and consequently, concluded that the fair value of these obligations is negligible, and no related reserves were established.

Segment Information

Operating segments are identified as components of an enterprise about which separate and discrete financial information is available for evaluation by the chief operating decision maker, the Company's chief executive officer, in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment and does not track expenses on a program-by-program basis.

Recently Issued Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, Debt - *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity*

*(Subtopic 815-40)***.** The amendments in the ASU removes certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. In addition, the ASU expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments. The ASU is effective for public business entities that meet the definition of a Securities and Exchange Commission ("SEC") filer, excluding smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard may have on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement***.** This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted this standard as of January 1, 2020; however, the adoption of this standard did not impact the Company's consolidated financial statements.

2. NET LOSS PER SHARE

The following table summarizes the computation of basic and diluted net loss per share of the Company for such periods (in thousands, except share and per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss	$ (5,358)	$ (6,912)	$ (20,080)	$ (16,662)
Weighted-average number of shares outstanding - basic and diluted	17,248,545	16,459,155	16,942,582	16,446,582
Net loss per common share - basic and diluted	$ (0.31)	$ (0.42)	$ (1.19)	$ (1.01)

Diluted net loss per common share is the same as basic net loss per common share for all periods presented.

The following potentially dilutive securities outstanding, prior to the use of the treasury stock method or if-converted method, have been excluded from the computation of diluted weighted-average shares outstanding, because such securities had an antidilutive impact due to the losses reported:

	For the Three and Nine Months Ended September 30,	
	2020	2019
Convertible debt	—	2,329,143
Common stock warrants	1,927,124	1,927,124
Stock options and inducement awards	1,445,003	1,762,315
Restricted stock units	532,000	185,800

3. INVESTMENTS

Cash in excess of the Company's immediate requirements is invested in accordance with the Company's investment policy that primarily seeks to maintain adequate liquidity and preserve capital.

The following table summarizes the Company's investments, by category, as of September 30, 2020 and December 31, 2019 (in thousands):

Investments - Current:	September 30, 2020	December 31, 2019
Debt securities - available for sale	$ 9,993	$ 25,746
Total	$ 9,993	$ 25,746

A summary of the Company's available-for-sale classified investments as of September 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	At September 30, 2020			
	Cost Basis	Accumulated Unrealized Gains	Accumulated Unrealized Losses	Fair Value
Investments - Current:				
United States treasury securities	$ 9,998	$ —	$ (5)	$ 9,993
Total	$ 9,998	$ —	$ (5)	$ 9,993

	At December 31, 2019			
	Cost Basis	Accumulated Unrealized Gains	Accumulated Unrealized Losses	Fair Value
Investments - Current:				
Corporate bonds	$ 4,990	$ —	$ (58)	$ 4,932
United States treasury securities	20,979	—	(165)	20,814
Total	$ 25,969	$ —	$ (223) [1]	$ 25,746

[1] $(12) of unrealized losses are included in the cash and cash equivalents balance as of December 31, 2019, a total of $(235) net unrealized losses at December 31, 2019.

The amortized cost and fair value of the Company's available-for-sale investments, by contract maturity, as of September 30, 2020 consisted of the following (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 9,998	$ 9,993
Total	$ 9,998	$ 9,993

4. PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Equipment	$ 1,278	$ 1,278
Furniture and fixtures	385	450
Leasehold improvements	1,356	1,356
Total property and equipment	3,019	3,084
Less: accumulated depreciation	(1,093)	(850)
Property and equipment, net	$ 1,926	$ 2,234

Depreciation expense for the three and nine months ended September 30, 2020 was $96,000 and $287,000, respectively. Depreciation expense for the three and nine months ended September 30, 2019 was $92,000 and $263,000, respectively.

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are performed in a manner to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company classified its money market funds within Level 1 because their fair values are based on their quoted market prices. The Company classified its United States treasury securities and fixed income securities within Level 2 because their fair values are determined using alternative pricing sources or models that utilized market observable inputs.

A summary of the assets and liabilities that are measured at fair value as of September 30, 2020 and December 31, 2019 is as follows (in thousands):

		Fair Value Measurement at September 30, 2020		
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds(1)	$ 8,246	$ 8,246	$ —	$ —
United States treasury securities	9,993	—	9,993	—
Total	$ 18,239	$ 8,246	$ 9,993	$ —
Liabilities:				
Warrant liabilities	$ 56	$ —	$ —	$ 56
Total	$ 56	$ —	$ —	$ 56

		Fair Value Measurement at December 31, 2019		
Assets:	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds (1)	$ 21,065	$ 21,065	$ —	$ —
United States treasury securities (1)	5,982	—	5,982	—
Fixed income securities	25,746	—	25,746	—
Total	$ 52,793	$ 21,065	$ 31,728	$ —
Liabilities:				
Warrant liabilities	$ 299	$ —	$ —	$ 299
Total	$ 299	$ —	$ —	$ 299

(1) Money market funds and United States treasury securities with maturities of less than 90 days at the date of purchase are included within cash and cash equivalents in the accompanying consolidated balance sheets and are recognized at fair value.

The following table reflects the change in the Company's Level 3 liabilities, which consists of the warrants issued in a private placement in November 2016 (see Note 7), for the nine months ended September 30, 2020 (in thousands):

	November Private Placement Warrants
Balance at December 31, 2018	$ 8,511
Change in fair value	(8,212)
Balance at December 31, 2019	299
Change in fair value	(243)
Balance at September 30, 2020	$ 56

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses as of September 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Preclinical and clinical studies	$ 1,159	$ 1,473
Compensation and benefits	1,085	614
Accounting and legal	424	240
Other	109	111
Total accrued expenses and other current liabilities	$ 2,777	$ 2,438

7. WARRANTS

In connection with the Company's IPO, the Company issued to the sole book-running manager for the IPO a warrant to purchase 27,600 shares of common stock in May 2016 and a warrant to purchase 747 shares of common stock in June 2016 (together, the "IPO Warrants"). The IPO Warrants are exercisable at an exercise price of $15.00 per share and expire on May 5, 2021. The Company evaluated the terms of the IPO Warrants and concluded that they should be equity-classified. The fair value of the May 2016 IPO Warrants was estimated on the applicable issuance dates using a Black-Scholes pricing model based on the following assumptions: an expected term of 4.99 years; expected stock price volatility of 87%; a risk-free rate of 1.20%; and a dividend yield of 0%. The fair value of the June 2016 IPO Warrants was estimated on the applicable issuance dates using a Black-Scholes pricing model based on the following assumptions: an expected term of 4.92 years; expected stock price volatility of 87%; a risk-free interest rate of 1.23%; and a dividend yield of 0%. The aggregate fair value of the IPO Warrants on the date of issuance was approximately $0.2 million.

In November 2016, the Company entered into a definitive agreement with respect to the private placement of 1,644,737 shares of common stock and warrants to purchase 1,644,737 shares of common stock (the "November 2016 Private Placement Warrants") to a group of accredited investors. These investors paid $9.12 for each share of common stock and warrant to purchase one share of common stock. The November 2016 Private Placement Warrants are exercisable at an exercise price of $10.79 per share and expire on November 23, 2021. The Company evaluated the terms of these warrants and concluded that they are liability-classified. In November 2016, the Company recorded the fair value of these warrants of approximately $8.3 million using a Black-Scholes pricing model. The Company must recognize any change in the value of the warrant liability each reporting period in the statement of operations. As of September 30, 2020 and December 31, 2019, the fair value of the November 2016 Private Placement Warrants was approximately $56,000 and $0.3 million, respectively, and 10,960 shares have been exercised to date (see Note 5).

A summary of the Black-Scholes pricing model assumptions used to record the fair value of the warrants is as follows:

	September 30, 2020	December 31, 2019
Risk-free interest rate	0.1%	1.6%
Expected term (in years)	1.1	1.9
Expected volatility	100.0%	100.0%
Expected dividend yield	0%	0%

In September 2019, the Company entered into a term loan (the "Convertible Term Loan") with Pontifax Medison Finance (Israel) L.P. and Pontifax Medison Finance (Cayman) L.P., as lenders, and Pontifax Medison Finance GP, L.P., in its capacity as administrative agent and collateral agent for itself and the lenders, providing for a $20.0 million term loan (see Note 9). In connection with the Company's Convertible Term Loan, the Company issued to certain lenders warrants to purchase 250,000 shares of common stock (the "Pontifax Warrants"). Prior to their amendment in April 2020 (see Note 9), the Pontifax Warrants were exercisable at an exercise price of $6.57 per share. The Pontifax Warrants expire on September 19, 2025. The Company evaluated the terms of the Pontifax Warrants and concluded that they are equity-classified. The fair value of the Pontifax Warrants was estimated on the issuance date using a Black-Scholes pricing model based on the following assumptions: an expected term of 6.0 years; expected stock price volatility of 83.2%; a risk-free interest rate of 1.7%; and a dividend yield of 0%. The aggregate fair value of the Pontifax Warrants on the date of issuance was approximately $0.6 million and was recorded as a discount to the term loan and will be amortized over the life of the term loan using the effective interest rate method. The aggregate fair value remaining on the payoff date was $0.5 million and was included in the loss on extinguishment of the Convertible Term Loan upon repayment (see Note 9). In connection with the repayment of the Convertible Term Loan, the Pontifax Warrants were amended and restated to amend the exercise price to $2.08 per share, which was equal to 1.5 times the weighted-average closing price of the Company's Common Stock during the 90 days prior to the repayment date. All other terms of the Pontifax Warrants remained the same. During the nine months ended September 30, 2020, there was an incremental expense of approximately $54,000 as a result of the amendment of the Pontifax Warrant exercise price.

In September 2019, the Company issued warrants to a service provider to purchase 15,000 shares of common stock (the "September 2019 Warrants"). The September 2019 Warrants are exercisable at an exercise price of $4.21 per share and expire on September 19, 2021. The Company evaluated the terms of the September 2019 Warrants and concluded that they are equity-classified. The fair value of the September 2019 Warrants was estimated on the applicable issuance date using a Black-Scholes pricing model based on the following assumptions: an expected term of 2.0 years; expected stock price volatility of 69.4%; a risk-free interest rate of 1.7%; and a dividend yield of 0%. The aggregate fair value of the September 2019 Warrants on the date of issuance was approximately $19,000. Approximately $13,000 and $6,000 has been expensed during the periods ended September 30, 2020 and December 31, 2019, respectively.

A summary of the warrant activity for the nine months ended September 30, 2020 and for the year ended December 31, 2019 is as follows:

	Warrants
Outstanding at December 31, 2018	1,662,124
Grants	265,000
Exercises	—
Expirations/cancellations	—
Outstanding at December 31, 2019	1,927,124
Grants	—
Exercises	—
Expirations/cancellations	—
Outstanding at September 30, 2020	1,927,124

8. STOCKHOLDERS' EQUITY

Common and Preferred Stock

In August 2017, the Company entered into a Controlled Equity Offering℠ Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co. ("Cantor"), pursuant to which the Company may offer and sell, from time to time through Cantor, shares of the Company's common stock having an aggregate offering price of up to $50.0 million. The Company pays Cantor a commission rate equal to 3.0% of the aggregate gross proceeds from each sale. During the nine months ended September 30, 2020, the Company sold an aggregate of 690,895 shares of its common stock, pursuant to the Sales Agreement at a weighted-average selling price of $1.32 per share, which resulted in approximately $0.8 million in net proceeds to the Company. There were no shares sold during the three months ended September 30, 2020. During the nine months ended September 30, 2019, the Company sold an aggregate of 600 shares of its common stock pursuant to the Sales Agreement at a weighted-average selling price of $10.03 per share, which resulted in de minimis net proceeds to the Company. There were no shares sold during the three months ended September 30, 2019 and the Company does not intend to issue any shares under the Sales Agreement between September 30, 2020 and the closing of the Exchange.

2014 Stock Incentive Plan and 2015 Stock Incentive Plan

In April 2014, the Company's Board of Directors approved the 2014 Stock Incentive Plan (the "2014 Plan") and authorized 750,000 shares of common stock to be issued under the 2014 Plan.

The Company's 2015 Stock Incentive Plan (the "2015 Plan") became effective immediately prior to the closing of the Company's IPO on May 11, 2016. Upon the effectiveness of the 2015 Plan, 116,863 shares of common stock that remained available for grant under the 2014 Plan became available for grant under the 2015 Plan, and no further awards were available to be issued under the 2014 Plan.

The Company's Board of Directors initially adopted the 2015 Plan in December 2015, subject to stockholder approval, and authorized 750,000 shares of Common Stock to be issued under the 2015 Plan. The 2014 Plan and 2015 Plan provide for the issuance of common stock, stock options and other stock-based awards to employees, officers, directors, consultants and advisors of the Company.

Amended and Restated 2015 Stock Incentive Plan

In March 2018, the Board approved the Amended and Restated 2015 Plan. Upon receipt of stockholder approval at the Company's 2018 annual meeting in June 2018, the 2015 Plan was amended and restated in its entirety increasing the authorized number of shares of common stock reserved for issuance by 800,000 shares (the Amended and Restated 2015 Plan, and together with the 2014 Plan, the "Stock Incentive Plans"). Upon receipt of stockholder approval at the Company's 2020 annual meeting in June 2020, the Amended and Restated 2015 Plan was further amended to increase the authorized number of shares of common stock reserved for issuance by 1,150,000 shares. Following this approval there are 2,816,863 shares authorized for issuance pursuant to the Amended and Restated 2015 Plan. In addition, to the extent any outstanding awards under the 2014 Plan expire, terminate or are otherwise surrendered, cancelled or forfeited after the closing of the Company's IPO, those shares are added to the authorized shares under the Amended and Restated 2015 Plan.

The total amount of shares authorized for issuance under all Stock Incentive Plans is 3,450,000. As of September 30, 2020, the Company had 1,360,791 shares available for issuance under the Amended and Restated 2015 Plan.

The exercise price of stock options cannot be less than the fair value of the common stock on the date of grant. Stock options awarded under the Stock Incentive Plans expire 10 years after the grant date, unless the Board sets a shorter term. There were no stock options granted prior to 2015.

The following table summarizes the option activity under the Stock Incentive Plans for the nine months ended September 30, 2020 and the year ended December 31, 2019:

	Options	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2018	1,299,565	$ 11.18	$ 881,385
Granted	395,500	9.61	—
Exercised	—	—	—
Cancelled	(22,750)	13.36	—
Outstanding at December 31, 2019	1,672,315	10.78	—
Granted	270,000	1.44	—
Exercised	—	—	—
Cancelled	(587,312)	10.23	—
Options outstanding at September 30, 2020	1,355,003	$ 9.15	$ —
Options exercisable at September 30, 2020	929,497	$ 10.71	$ —

As of September 30, 2020, all options outstanding have a weighted-average remaining contractual life of 6.9 years. The weighted-average fair value of all stock options granted for the nine months ended September 30, 2020 was $0.99. Intrinsic value at September 30, 2020 and December 31, 2019 is based on the closing price of the Company's common stock on that date of $1.34 per share and $1.58 per share, respectively.

In January 2018, the Company issued a stock option award as an inducement grant for the purchase of an aggregate of 50,000 shares of the Company's common stock, outside of the Stock Incentive Plans, at an exercise price of $12.02 per share. In February 2019, the Company issued a stock option award as an inducement grant for the purchase of an aggregate of 40,000 shares of the Company's common stock, outside of the Stock Incentive Plans, at an exercise price of $10.39 per share. These inducement grants are excluded from the option activity table above.

The assumptions the Company used to determine the fair value of stock options granted to employees and directors during the nine months ended September 30, 2020 and 2019 are as follows, presented on a weighted-average basis:

	For the Nine Months Ended September 30,	
	2020	2019
Risk-free interest rate	0.7%	2.5%
Expected term (in years)	5.9	5.9
Expected volatility	82.8%	81.1%
Expected dividend yield	0%	0%

Restricted Stock Units

Performance-Based Restricted Stock Units

In January 2019, the Company issued performance-based RSUs to senior management under the Amended and Restated 2015 Plan that represented shares potentially issuable in the future subject to the satisfaction of certain performance milestones as well as a service condition. The vesting of 50% of the performance-based RSUs was based upon the Company's performance relative to a peer group over a two-year performance period, from January 1, 2019 through December 31, 2020, measured by the Company's relative total shareholder return. The vesting of 25% of the performance-based RSUs was based on the achievement of a performance goal milestone as of December 31, 2019 and the vesting of the remaining 25% of the performance-based RSUs was based upon the achievement of a performance goal milestone as of December 31, 2020.

The Company estimated the fair value of total shareholder return performance-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortizes those fair values over the requisite service period for each separately vesting tranche of the award. The Monte Carlo methodology that the Company uses to estimate the fair value of total shareholder return performance-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the total shareholder return performance-based RSUs at the date of grant must

be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

The Company estimates the fair value of milestone performance-based RSUs at the date of grant using the fair value method and the probability that the specified performance criteria will be met and amortizes the fair value over the requisite service period for each separately vesting tranche of the award when attainment of the milestone is deemed probable. The assumption used to determine the fair value of the performance-based RSUs granted to management in 2019 for the performance goal milestone units is based on the market price of the award on the grant date. Each quarter the Company updates its assessment of the probability that the specified criteria will be achieved and adjusts its estimate of the fair value, if necessary.

The total stock-based compensation recognized for the three and nine months ended September 30, 2019 for the RSUs was approximately $0.1 million and $0.4 million, respectively. As of September 30, 2019, the Company adjusted stock-based compensation approximately $0.1 million for previously recognized stock-based compensation for the December 31, 2019 clinical milestone estimated to be not probable at that time.

In March 2020, the Company and the recipients of these performance-based RSUs agreed to cancel the agreements and as a result, 139,350 shares were returned to the Amended and Restated 2015 Plan. The Company recognized the remaining expense for the total shareholder return performance-based RSUs in the amount of $0.3 million during the nine months ended September 30, 2020. The Company did not recognize any expense related to the milestone performance-based RSUs.

In April 2020, the Company issued 360,000 performance-based RSUs to senior management under the Amended and Restated 2015 Plan that represented shares potentially issuable in the future subject to the satisfaction of certain performance milestones. The vesting of 50% of the performance-based RSUs is based on the achievement of a performance goal milestone as of December 31, 2020 and the vesting of the remaining 50% of the performance-based RSUs is based upon the achievement of a performance goal milestone as of December 31, 2021. For the three and nine months ended September 30, 2020, the Company recognized approximately $48,000 and $91,000 expense, respectively, related to the performance-based RSUs.

Time-Based Restricted Stock Units

In March 2020, the Company issued 199,000 time-based RSUs to employees under the Amended and Restated 2015 Plan. The weighted average grant date fair value of the time-based RSUs was $1.41 for the three and nine months ended September 30, 2020. The vesting for the time-based RSUs is 50% after one-year from the grant date and the remaining 50% as of December 31, 2021. For the three and nine months ended September 30, 2020, the Company recognized approximately $33,000 and $76,000 expense related to the time-based RSUs, respectively.

The following table is a rollforward of all RSU activity under the Stock Incentive Plans for the nine months ended September 30, 2020:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Total nonvested units at December 31, 2019	139,350	$ 7.86
Granted	559,000	1.41
Vested	—	—
Cancelled	(166,350)	6.82
Total nonvested units at September 30, 2020	532,000	$ 1.07

Stock-Based Compensation

The following table summarizes the Company's stock-based compensation expense for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Stock-based compensation:	2020	2019	2020	2019
Research and development	$ 163	$ 314	$ 609	$ 971
General and administrative	281	497	1,126	1,854
Total Stock-based compensation	$ 444	$ 811	$ 1,735	$ 2,825

The fair value of stock options vested during the nine months ended September 30, 2020 was $1.8 million. At September 30, 2020, there was $2.0 million of unrecognized stock-based compensation expense relating to stock options granted pursuant to the Stock Incentive Plans, which will be recognized over the weighted-average remaining vesting period of 2.0 years.

At September 30, 2020, there was $0.4 million of unrecognized stock-based compensation expense relating to the time-based RSUs granted pursuant to the Stock Incentive Plans, which will be recognized over the weighted-average remaining vesting period of 1.3 years.

Reserved Shares

As of September 30, 2020 and December 31, 2019, the Company reserved the following shares of common stock for issuance of shares resulting from exercise of outstanding warrants and options, convertible shares from the Convertible Term Loan, as well as issuance of shares available for grant under the Stock Incentive Plans:

	September 30, 2020	December 31, 2019
IPO warrants	28,347	28,347
November private placement warrants	1,633,777	1,633,777
Convertible term loan	—	2,329,143
Pontifax warrants	250,000	250,000
September 2019 warrants	15,000	15,000
Amended and restated 2015 stock incentive plan	3,247,794	2,160,338
Inducement awards	90,000	90,000
Total	5,264,918	6,506,605

9. CONVERTIBLE TERM LOAN

In September 2019, the Company entered into a Convertible Term Loan with Pontifax Medison Finance (Israel) L.P. and Pontifax Medison Finance (Cayman) L.P., as lenders, and Pontifax Medison Finance GP, L.P., in its capacity as administrative agent and collateral agent for itself and the lenders (collectively, the "Lenders"), providing for a $20.0 million term loan (the "Convertible Term Loan"), which the Company received on September 19, 2019 (the "Closing Date"). The Company incurred issuance costs of $0.4 million and Pontifax Warrants costs of $0.6 million. The Convertible Term Loan issuance costs and Pontifax Warrant costs are shown as an offset to the Convertible Term Loan on the balance sheet and are amortized using the effective interest method to interest expense through September 23, 2023 (the "Maturity Date"). In April 2020, the Company entered into a prepayment notice and pay-off letter with the Lenders, which provided for the full repayment in cash of the $20.0 million Convertible Term Loan and amended the exercise price with respect to the Pontifax Warrants. Upon repayment of the Convertible Term Loan, the Company incurred a loss on extinguishment of debt, which included $0.3 million for a prepayment fee, $0.4 million of unamortized issuance costs, $0.5 million in unamortized Pontifax Warrant costs and approximately $54,000 for the Pontifax Warrant amendment (see Note 7).

Pursuant to the Convertible Term Loan, the Company was entitled, at its option, to prepay some or all of the then outstanding principal balance and all accrued and unpaid interest on the Convertible Term Loan, together with a prepayment charge equal to 3% of the principal amount being prepaid. The Lenders were entitled, at their option, to elect to convert the then outstanding Convertible Term Loan amount and all accrued and unpaid interest thereon into shares of the Company's common stock at a conversion price of $8.76 per share.

The Company's obligations were secured by a security interest, senior to any current and future debts and to any security interest, in all of the Company's right, title, and interest in, to and under all of its property and other assets, subject to limited exceptions including the Company's intellectual property. The Convertible Term Loan contained customary events of default, representations, warranties and covenants, including a material adverse effect clause. The Company was required to maintain a minimum cash balance of $7.0 million in its accounts.

Upon the occurrence of an event of default, a default interest rate of an additional 4% per annum would have been applied to the outstanding loan balances, and the Lenders would have been able to declare all outstanding obligations immediately due and payable and exercise all of its rights and remedies as set forth in the Convertible Term Loan and under applicable law. The Company evaluated the accounting for the Convertible Term Loan and identified an embedded derivative related to the contingent interest feature. The Company determined the fair value of the contingent interest feature to be de minimis.

In addition, the Company issued the Lenders warrants to purchase an aggregate of 250,000 shares of the Company's common stock (the "Pontifax Warrants"). The Pontifax Warrants are exercisable for a period of six years from the Closing Date and were exercisable at an exercise price of $6.57 per share prior to their amendment in April 2020. The aggregate fair value of the Pontifax Warrants on the date of issuance was approximately $0.6 million and was recorded as a discount to the term loan and will be amortized over the

life of the term loan using the effective interest rate method. The aggregate fair value remaining on the payoff date was $0.5 million and was included in the loss on extinguishment of the Convertible Term Loan upon repayment. In connection with the repayment of the Convertible Term Loan, the Pontifax Warrants were amended and restated to amend the exercise price to $2.08 per share, which was equal to 1.5 times the weighted-average closing price of the Company's Common Stock during the 90 days prior to the repayment date. All other terms of the Pontifax Warrants remained the same. During the nine months ended September 30, 2020, there was an incremental expense of approximately $54,000 for the amendment of the Pontifax Warrant exercise price, which is included in the loss on extinguishment of debt (see Note 7).

During the nine months ended September 30, 2020, the Company recorded interest expense of approximately $511,000, in connection with the Convertible Term Loan. There was no interest expense during the three months ended September 30, 2020. There was approximately $63,000 in interest expense recorded during the three and nine months ended September 30, 2019.

10. LEASES

The Company has operating leases for its principal office and laboratory space and the Company's former headquarters. The Company's leases have remaining lease terms of approximately 8.1 years for its principal office and laboratory space, which includes an option to extend the lease for up to 5 years, and approximately 0.7 years for its former headquarters. The Company's former headquarters location is subleased through the remainder of the lease term.

Other information related to leases as of September 30, 2020 and 2019 was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Cash paid for amounts included in the measurement of lease liabilities:	2020	2019	2020	2019
Operating cash flow from operating leases (in thousands)	$ 149	$ 143	$ 440	$ 273
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases (in thousands)	$ —	$ 2,980	$ —	$ 2,980

As of September 30, 2020 and December 31, 2019, the weighted average remaining lease term for operating leases was 7.8 years and 8.3 years, respectively.

As of September 30, 2020 and December 31, 2019, the weighted average discount rate for operating leases was 8% for both periods.

Operating lease costs under the leases for the three and nine months ended September 30, 2020 were approximately $165,000 and $495,000, respectively. Total operating lease costs for the three and nine months ended September 30, 2020 were offset by $29,000 and $79,000, respectively, for sublease income and variable lease cost payments. Operating lease costs under the leases for the three and nine months ended September 30, 2019 were approximately $130,000 and $390,000, respectively. Total operating lease costs for the three and nine months ended September 30, 2019 were offset by $22,000 and $59,000, respectively, for sublease income and variable lease cost payments.

The following table summarizes the Company's maturities of operating lease liabilities as of September 30, 2020 (in thousands):

Year	
2020 (excluding the nine months ended September 30, 2020)	$ 149
2021	508
2022	450
2023	462
2024	474
Thereafter	1,931
Total lease payments	$ 3,974
Less: present value discount	(1,012)
Total	$ 2,962

11. COMMITMENTS AND CONTINGENCIES

Contingencies

On September 3, 2020, a Company stockholder filed a complaint in the United States District Court for the Southern District of New York (*Lenthall v. Spring Bank Pharmaceuticals, Inc. et al, Case No. 1:20-cv-07219 (S.D.N.Y.)*), against the Company and the members of the Company's Board of Directors (the "individual defendants"), alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act and of Delaware state law. The plaintiff alleges that the defendants made materially misleading disclosures in the Company's Form S-4 registration statement filed in connection with the proposed Exchange (the "Form S-4"), by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's fairness opinion and (iii) any financial analyses conducted on the Company. The plaintiff in Lenthall seeks declaratory and injunctive relief to enjoin the Exchange as well as damages and attorneys' and experts' fees.

On September 8, 2020, in the United States District Court for the District of Delaware, a purported class action (*Adam Franchi v. Spring Bank Pharmaceuticals, Inc. et al, Case No. 1:20-cv-01198 (D. Del.)*) was filed against the Company, members of the Company's Board of Directors and F-star, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. This complaint alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) the confidentiality agreements entered into by the Company prior to its engagement of Ladenburg, (iii) the process leading up to the execution of the Exchange Agreement and (iv) any financial analyses performed by Ladenburg. The plaintiff in Franchi seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; filing by the defendants of a Registration Statement deemed not to be materially misleading by the plaintiff; and attorneys' and experts' fees.

On September 18, 2020, in the United States District Court for the Southern District of New York, another Company stockholder filed a complaint (*Arshad v. Spring Bank Pharmaceuticals, Inc., et al., Case No. 1:20-cv-07723 (S.D.N.Y.)*), against the Company and the members of the Company's Board of Directors, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. The plaintiff alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's Opinion and (iii) the process relating to the Exchange. The plaintiff in Arshad seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; filing by the defendants of a Registration Statement deemed not to be materially misleading by the plaintiff; and attorneys' and experts' fees.

On October 29, 2020, in the United States District Court Eastern District of New York, another Company stockholder filed a complaint (*Nowakowski v. Spring Bank Pharmaceuticals, Inc., et al., Case No. 1:20-cv-05219 (E.D.N.Y.)*), against the Company and the members of the Company's Board of Directors, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. The plaintiff alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's fairness opinion and (iii) the process relating to the Exchange. The plaintiff in Nowakowski seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; declaration that defendants violated Sections 14(a) and 20(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder; and attorneys' and experts' fees.

The Company believes that the complaints set forth above are without merit and intends to defend against them vigorously. There can be no assurance, however, that the Company or any defendant will be successful. At present, the Company is unable to estimate potential losses, if any, related to these lawsuits.

The Company accrues for contingent liabilities to the extent that the liability is probable and estimable. There are no accruals for contingent liabilities in these consolidated financial statements.

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date on which the consolidated financial statements were issued to ensure that this Quarterly Report on Form 10-Q includes appropriate disclosure of events both recognized in the consolidated financial statements and events which occurred subsequently but were not recognized in the consolidated financial statements.

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

The following information should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto for the year ended December 31, 2019, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission, or the SEC, on February 14, 2020.

This report contains forward-looking statements that are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, or PSLRA, with the intention of obtaining the benefits of the "safe harbor" provisions of the PSLRA. Forward-looking statements involve risks and uncertainties. In this Quarterly Report on Form 10-Q, words such as "may," "will," "expect," "anticipate," "estimate," "intend," and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements.

Our actual results and the timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution our readers that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those expressed or implied by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company engaged in the discovery and development of novel therapeutics for the treatment of a range of cancers and inflammatory diseases using our proprietary small molecule nucleotide platform. We design our compounds to selectively target and modulate the activity of specific proteins implicated in various disease states. Our internally-developed programs are primarily designed to stimulate and/or dampen immune responses. We have devoted resources to advancing multiple programs in our STING product portfolio, including our STING agonist clinical program in oncology, our STING antagonist compounds for inflammatory diseases, and our STING agonist antibody drug conjugate (ADC) program for oncology.

Until January 2020, we had been developing inarigivir soproxil, an orally-administered investigational selective immunomodulator, as a potential treatment for chronic hepatitis B virus. In April 2019, we launched two Phase 2 global trials (CATALYST 1 and CATALYST 2) examining the administration of inarigivir 400mg as monotherapy and co-administered with a nucleotide in naïve and virally suppressed chronic HBV patients. On January 29, 2020, we announced that we were terminating all clinical development of inarigivir for the treatment of HBV due to the occurrence of unexpected serious adverse events, including one patient death, in our Phase 2b CATALYST trial.

Key Developments

On July 29, 2020, we entered into a share exchange agreement, or the Exchange Agreement, with F-star Therapeutics Limited, or F-star, a private company registered in England and Wales, and the holders of issued shares in the capital of F-star and the holders of convertible notes of F-star, pursuant to which, subject to the satisfaction or waiver of the conditions set forth in the Exchange Agreement, we will acquire the entire issued share capital of F-star, with F-star Therapeutics, Inc. to continue as the combined company, which we collectively refer to as the Exchange. The Exchange is expected to close in the fourth quarter of 2020, subject to the approval by our stockholders at a special meeting of stockholders to be held on November 19, 2020, as well as other customary conditions. Upon completion of the Exchange, Spring Bank Pharmaceuticals, Inc. will be renamed F-star Therapeutics, Inc., and is expected to trade on the Nasdaq Capital Market under the ticker symbol "FSTX".

The Exchange is intended to create a company focused on transforming the lives of patients with cancer through the development of innovative tetravalent bispecific (mAb2™) antibodies. The combined company will advance its immuno-oncology pipeline of multiple tetravalent bispecific antibody programs, including the Company's STING (STimulator of INterferon Gene) agonist, SB 11285, currently in a Phase 1/2 clinical trial.

Since the signing of the Exchange Agreement on July 29, 2020, we have primarily been focused on conducting activities with respect to SB 11285, our intravenously (IV)-administered STING agonist product candidate, which is currently being administered as a monotherapy and in combination in a Phase 1 trial.

Spring Bank Programs

The paragraphs that follow reflect Spring Bank's programs as a stand-alone entity. For a discussion of the business of the combined company, assuming the completion of the Exchange, see Spring Bank's Final Prospectus and Proxy Statement, as filed with the Securities and Exchange Commission on October 20, 2020.

The pandemic caused by an outbreak of a new strain of coronavirus, or the COVID-19 pandemic, that is affecting the United States and global economy and financial markets is also impacting our employees, patients, communities and business operations. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets. Management is actively monitoring this situation and the possible effects on our financial condition, liquidity, operations, suppliers, industry, and workforce. In the paragraphs that follow, we have described impacts of the COVID-19 pandemic on our clinical and preclinical development programs.

STING Agonist

We continue to develop our lead STING agonist product candidate, SB 11285, as a next-generation immunotherapeutic agent for the treatment of selected cancers. SB 11285 is currently being evaluated as an intravenously (IV)-administered monotherapy in a Phase 1a/1b multicenter, dose escalation clinical trial in patients with advanced solid tumors. Phase 1a of this trial is a dose-escalation study with IV SB 11285 monotherapy which allows combination with a checkpoint inhibitor after the completion of the first two cohorts of the trial. Phase 1b of this trial is designed to explore IV SB 11285 antitumor activity in combination with a checkpoint inhibitor in tumor types expected to be responsive to immunotherapy. In February 2020, we entered into a clinical collaboration with Roche for the use of Roche's PD-L1 checkpoint inhibitor atezolizumab (Tecentriq®) in the combination cohorts of this trial.

We initiated dosing in the initial monotherapy cohort of this Phase 1 trial in the fourth quarter of 2019. In August 2020, we initiated the first combination cohort of this Phase 1 trial examining the co-administration of SB 11285 and atezolizumab. Although several of the institutions involved in the conduct of this trial have suspended patient enrollment in all of their clinical trials due to the COVID-19 pandemic, we have been able to continue dosing patients in this trial at multiple sites and completed the dosing of patients in the third cohort in August 2020. Depending on whether we are able to continue enrolling and dosing patients in this Phase 1 trial, we plan to complete the fourth monotherapy cohort during the fourth quarter of 2020. Spring Bank anticipates that it will announce monotherapy data in the fourth quarter of 2020 and hopes to generate sufficient data from the Phase 1a/1b IV STING agonist program by the end of the first half of 2021 to enable advancement into a Phase 2 clinical trial. While Spring Bank currently anticipates this Phase 1 trial will remain open and currently enrolled patients will continue on study, all clinical sites activated for the study may determine to stop enrolling and/or dosing patients as a result of the impact of the COVID-19 pandemic, which has the potential to impact both the advancement into combination cohorts and the availability of data in 2020 and the first half of 2021.

STING Antagonist

We have also explored the use of our novel STING antagonist compounds for the treatment of certain autoimmune and inflammatory diseases where the STING pathway is involved. Our STING antagonists are selectively designed to block aberrant activation of the STING pathway, which contributes to the causes of certain autoimmune and inflammatory diseases, including STING-associated vasculopathy with onset in infancy (SAVI), systemic lupus erythematosus (SLE) and other proinflammatory-mediated diseases. In July 2019, we presented preclinical data from a novel STING antagonist compound, which showed potent inhibition of interferon and pro-inflammatory cytokines in wild type and mutant STING *in vitro* models. *In vivo* administration of this compound antagonized STING-agonist-induced interferon and cytokine production in the blood, spleen and liver in mice, illustrating the potential that this compound has for therapeutic applications in interferonopathies, as well as autoimmune and inflammatory diseases. Furthermore, in August 2019, we entered into a research agreement with the University of Texas Southwestern Medical School to evaluate our small molecule STING antagonist compounds.

SARS-CoV-2

In April 2020, we announced that we were exploring programs and collaborations to study our portfolio of RIG-I agonist and STING agonist compounds as potential therapeutics and vaccine adjuvants for SARS-CoV-2, the virus responsible for COVID-19. We have continued to work with the National Institute of Allergy and Infectious Diseases (NIAID) to examine multiple compounds from our RIG-I agonist and STING agonist portfolio in the Middle East Respiratory Syndrome Coronavirus (MERS-CoV) assay and the SARS-CoV-2 antiviral assay. We are also pursuing the inclusion of inarigivir soproxil, a RIG-I agonist, as an adjuvant therapy in ongoing clinical trials involving Bacille Calmette-Guerin (BCG) vaccines against SARS-CoV-2.

To date, we have devoted substantially all of our resources to research and development efforts, including conducting clinical trials for our product candidates, protecting our intellectual property and providing general and administrative support for these operations. We have not generated any revenue to date other than from grants from the National Institutes of Health, or NIH. No additional funding remains available to us under any grant for the development of any of our product candidates. We have funded our operations primarily through proceeds received from private placements of convertible notes, common stock and/or warrants; the exercise of options and warrants; NIH grant funding; and public offerings of securities.

We have incurred significant annual net operating losses in every year since our inception and expect to continue to incur significant expenses and net operating losses for the foreseeable future. Our net losses for the three and nine months ended September 30, 2020 were $5.4 million and $20.1 million, respectively, and our net losses for the three and nine months ended September 30, 2019 were $6.9 million and $16.7 million, respectively. As of September 30, 2020, we had an accumulated deficit of $146.2 million. Our net losses may fluctuate significantly from quarter to quarter and year to year. We expect to continue to incur significant expenses and increasing operating losses for the next several years.

We do not expect to raise any additional funds prior to the completion of the Exchange. However, if the Exchange is not completed, we may require significant additional funds earlier than we currently expect in order to conduct clinical trials and preclinical and discovery activities. There can be no assurances, however, that additional funding will be available on favorable terms, or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect common stockholder rights. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or product candidates or grant licenses on terms that may not be favorable to us.

There is no guarantee that the Exchange will be completed. As of September 30, 2020, we had $20.0 million in cash, cash equivalents and marketable securities. We expect that our cash, cash equivalents and marketable securities as of September 30, 2020 will be sufficient to fund operations for at least the next twelve months. This estimate assumes no additional funding from new collaboration agreements or equity financings.

Financial Operations Overview

Operating expenses

Our operating expenses since inception have consisted primarily of research and development expense and general and administrative costs.

Research and development

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our product candidates, which include:

- expenses incurred under agreements with third parties, including CROs that conduct research, preclinical activities and clinical trials on our behalf as well as contract manufacturing organizations, or CMOs, that manufacture drug products for use in our preclinical and clinical trials;
- salaries, benefits and other related costs, including stock-based compensation expense, for personnel in our research and development functions;
- costs of outside consultants, including their fees, stock-based compensation and related travel expenses;
- the cost of laboratory supplies and acquiring, developing and manufacturing preclinical study and clinical trial materials;

- costs related to compliance with regulatory requirements; and
- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expense research and development costs as incurred. We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by our vendors and our clinical investigative sites. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our consolidated financial statements as prepaid or accrued research and development expenses.

Our direct research and development expenses are not currently tracked on a program-by-program basis. Until January 2020, we were primarily focused on the research and development of inarigivir. Going forward, and at least until the completion of the Exchange, we expect our primary focus to be on the research and development of compounds targeting the STING pathway. Our direct research and development expenses consist primarily of external costs, such as fees paid to investigators, consultants and CROs in connection with our preclinical studies and clinical trial and regulatory fees. We do not allocate employee-related costs and other indirect costs to specific research and development programs.

The successful development of our product candidates is highly uncertain. Accordingly, at this time, we cannot reasonably estimate the nature, timing and costs of the efforts that will be necessary to complete the development of any of our product candidates. We are also unable to predict when, if ever, we will generate revenues from SB 11285 or any of our other product candidates. This is due to the numerous risks and uncertainties associated with developing medicines, including the uncertainties related to:

- establishing an appropriate safety profile for our product candidates;
- successful enrollment in and completion of clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- launching commercial sales of the products, if and when approved, whether alone or in collaboration with others; and
- if a product is approved, a continued acceptable safety profile of the product.

A change in the outcome of any of these variables with respect to any of our product candidates would significantly change the costs and timing associated with the development of that product candidate.

We anticipate our research and development expenses will trend below comparable prior period levels in the near future as a result of reduced research and development activities and a reduced headcount of research and development personnel.

General and administrative

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses also include legal fees relating to patent and corporate matters; professional fees for accounting, auditing, tax and consulting services; insurance costs; travel expenses; and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We anticipate our general and administrative expenses will remain consistent with comparable prior period levels in the near future. We will continue to incur expenses associated with being a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, director and officer insurance premiums, and investor and public relations costs.

Other income (expense)

Other income (expense) consists of interest income earned on our cash, cash equivalents, restricted cash and marketable securities, interest expense paid on the Convertible Term Loan and the loss on extinguishment of debt for repayment of the Convertible Term Loan.

Change in fair value of warrant liabilities

Change in fair value of warrant liabilities consists of a gain or (loss) related to the change in the fair value of the warrants issued in connection with our private placement offering in November 2016, resulting from factors such as a change in our stock price and a change in expected stock price volatility.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of our consolidated financial statements and related disclosures requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue, costs and expenses and related disclosures. We believe that the estimates and assumptions underlying the accounting policies described therein may have the greatest potential impact on our consolidated financial statements and, therefore, consider these to be our critical accounting policies. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these current estimates based on different assumptions and under different conditions.

Accrued Research and Development Expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated costs incurred for the services when we have not yet been invoiced or otherwise notified of the actual costs. The majority of our service providers invoice us in arrears for services performed, on a predetermined schedule or when contractual milestones are met; however, some require advanced payments. We make estimates of our accrued expenses as of each balance sheet date in our consolidated financial statements based on facts and circumstances known to us at that time. Examples of estimated accrued research and development expenses include fees paid to:

- CROs in connection with performing research services on our behalf and clinical trials;
- investigative sites or other providers in connection with clinical trials;
- vendors in connection with preclinical and clinical development activities; and
- vendors related to product manufacturing, development and distribution of preclinical and clinical supplies.

We base our expenses related to preclinical studies and clinical trials on our estimates of the services received and efforts expended pursuant to quotes and contracts with multiple CROs that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the clinical expense. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed, enrollment of patients, number of sites activated and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or amount of prepaid expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting amounts that are too high or too low in any particular period. To date, we have not made any material adjustments to our prior estimates of accrued research and development expenses.

Warrants Issued in 2016 Private Placement

In connection with our private placement offering in November 2016, or the November private placement, we issued warrants to purchase 1,644,737 shares of common stock, which we refer to as the November 2016 Warrants. These warrants are exercisable at an exercise price of $10.79 per share. We evaluated the terms of these warrants and concluded that they should be liability-classified. In November 2016, we recorded the fair value of these warrants of approximately $8.3 million. We recognize any change in the value of the warrant liability each reporting period in the statement of operations. As of September 30, 2020, the fair value of the warrants was approximately $56,000, which is a decrease of approximately $243,000 from the fair value of approximately $299,000 as of December 31, 2019. See Note 7 of the notes to the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Stock-Based Compensation

We issue stock-based awards to employees and non-employees, generally in the form of stock options or performance-based restricted stock units. We account for our stock-based compensation awards in accordance with Financial Accounting Standards Board, (FASB) ASC Topic 718, *Compensation—Stock Compensation*, or ASC 718. ASC 718 requires all stock-based payments to employees and non-employees, including grants of employee stock options and modifications to existing stock awards, to be recognized in the statements of operations and comprehensive loss based on their fair values.

We measure stock options and other stock-based awards granted to employees, nonemployees and directors based on the fair value on the date of grant and recognize the corresponding compensation expense of those awards, over the requisite service period, which is generally the vesting period of the respective award. We account for forfeitures as they occur. Generally, we issue stock options and performance based restricted stock units with service-based vesting conditions and record the expense for these awards using the straight-line method. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based restricted stock units (“performance-based RSUs”) if necessary.

We estimate the fair value of each stock option grant using the Black-Scholes option-pricing model. Use of this model requires that we make assumptions as to the fair value of our common stock, the volatility of our common stock, the expected term of our stock options, the risk-free interest rate for a period that approximates the expected term of our stock options and our expected dividend yield. Because we lack company-specific historical and implied volatility information due in part to the limited time in which we have operated as a publicly traded company, we estimate our expected volatility based on the historical volatility of a group of publicly traded peer companies. We expect to continue to do so until such time as we have adequate historical data regarding the volatility of our traded stock price. We use the simplified method prescribed by the SEC’s Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term of options granted to employees and directors. We base the expected term of options granted to consultants and nonemployees on the contractual term of the options. We determine the risk-free interest rate by reference to the United States Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that we have never paid cash dividends and do not expect to pay any cash dividends in the foreseeable future.

We recognize forfeitures as they occur and the compensation expense is reversed in the period that the forfeiture occurs. The assumptions we used to determine the fair value of granted stock options in nine months ended September 30, 2020 and 2019 are as follows:

	For the Nine Months Ended September 30,	
	2020	2019
Risk-free interest rate	0.7%	2.5%
Expected term (in years)	5.9	5.9
Expected volatility	82.8%	81.1%
Expected dividend yield	0%	0%

The assumptions used to determine the fair value of the time-based RSUs granted to management during the nine months ended September 30, 2020 is based on the market price of the award on the grant date, which was a weighted average fair value for the nine months ended September 30, 2020 of $1.41 per share.

These assumptions represent our best estimates, but the estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use significantly different assumptions or estimates, our stock-based compensation expense could be materially different. We recognize compensation expense for only the portion of awards that are expected to vest.

The impact of our stock-based compensation expense for stock options and performance based restricted stock units granted to employees and non-employees may grow in future periods if the fair value of our common stock increases.

The following table summarizes the classification of our stock-based compensation expenses recognized in our consolidated statements of operations and comprehensive loss (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Stock-based compensation:	2020	2019	2020	2019
Research and development	$ 163	$ 314	$ 609	$ 971
General and administrative	281	497	1,126	1,854
Total stock-based compensation	$ 444	$ 811	$ 1,735	$ 2,825

JOBS Act

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," or EGC, can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. Thus, as an EGC, we could have delayed the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we 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.

Subject to certain conditions, as an EGC, we intend to rely on certain exemptions afforded by the JOBS Act, including the exemption from certain requirements related to the disclosure of executive compensation in our periodic reports and proxy statements, and the requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments; the requirement that the auditors provide an attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and complying with any requirement that may be adopted by the Public Company Accounting Oversight Board, or PCAOB, 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 EGC until the earliest of the last day of the fiscal year in which we have total annual gross revenues of approximately $1.07 billion or more; the last day of the fiscal year following the fifth anniversary of the date of the completion of the closing of our initial public offering, or IPO, which is December 31, 2021; the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2020 and 2019

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

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Operating expenses:						
Research and development	$ 2,516	$ 5,228	$ (2,712)	$ 11,023	$ 18,070	$ (7,047)
General and administrative	2,832	2,247	585	7,875	7,547	328
Total operating expenses	5,348	7,475	(2,127)	18,898	25,617	(6,719)
Loss from operations	(5,348)	(7,475)	2,127	(18,898)	(25,617)	6,719
Other income (expense)	8	208	(200)	(1,425)	894	(2,319)
Change in fair value of warrant liabilities	(18)	355	(373)	243	8,061	(7,818)
Net loss	$ (5,358)	$ (6,912)	$ 1,554	$ (20,080)	$ (16,662)	$ (3,418)

Research and development expenses.

Research and development expenses during the three months ended September 30, 2020 and 2019 were $2.5 million and $5.2 million, respectively. The decrease of $2.7 million during the three months ended September 30, 2020 was primarily due to a decrease in spending on preclinical and clinical trial-related activities for inarigivir and manufacturing costs for inarigivir and

SB 11285 of $2.1 million, as well as other research and development related expenses of $0.6 million, including laboratory supplies, salaries and benefits costs and non-cash charges for stock-based compensation.

Research and development expenses during the nine months ended September 30, 2020 and 2019 were $11.0 million and $18.1 million, respectively. The decrease of $7.1 million during the nine months ended September 30, 2020 was primarily due to a decrease in spending on preclinical studies and clinical trial-related activities for inarigivir and manufacturing costs for inarigivir and SB 11285 of $5.9 million, as well as other research and development related expenses of $1.2 million, including laboratory supplies, salaries and benefits costs and non-cash charges for stock-based compensation.

General and administrative expenses.

General and administrative expenses during the three months ended September 30, 2020 and 2019 were $2.8 million and $2.2 million, respectively. The increase of $0.6 million during the three months ended September 30, 2020 was primarily due to an increase in legal-related costs of $0.8 million, offset by a net decrease in other general and administrative costs of $0.2 million.

General and administrative expenses during the nine months ended September 30, 2020 and 2019 were $7.9 million and $7.5 million, respectively. The increase of $0.3 million during the nine months ended September 30, 2020 was primarily due to an increase in legal-related costs of $0.6 million, consulting-related costs of $0.3 million and net other general and administrative costs of $0.1 million, offset by a decrease in non-cash charges for stock-based compensation of $0.7 million.

Other income (expense). Other income (expense) during the three months ended September 30, 2020 is comprised of interest income. Interest income during the three months ended September 30, 2020 was approximately $8,000 and was primarily related to the interest earned on marketable securities. There was no interest expense as of September 30, 2020. Other income (expense) during the nine months ended September 30, 2020 is comprised of interest income, offset by interest expense and loss on extinguishment of debt. Interest income was approximately $293,000 and was primarily related to the interest earned on marketable securities. Interest expense was approximately $511,000 and was due to the interest expense incurred on the Convertible Term Loan. Loss on extinguishment of debt was approximately $1.2 million and was due to the repayment of the Convertible Term Loan.

Other income (expense) during the three and nine months ended September 30, 2019 is comprised of interest income, offset by interest expense. Interest income during the three and nine months ended September 30, 2019 was approximately $271,000 and approximately $957,000, respectively, and was primarily due to the interest earned on marketable securities. Interest expense during the three and nine months ended September 30, 2019 was $0.1 million during both periods and was due to the interest expense incurred on the Convertible Term Loan.

Change in fair value of warrant liabilities. The change in fair value of warrant liabilities during the three months ended September 30, 2020 was a loss of approximately $18,000 and the change in fair value of warrant liabilities during the nine months ended September 30, 2020 was a gain of approximately $243,000. The change in fair value of warrant liabilities during the three and nine months ended September 30, 2019 was a gain of $0.4 million and $8.1 million, respectively. The change in value each period was solely due to the change in the fair value of the November 2016 Warrants, primarily as a result of the change in our stock price and stock price volatility.

Liquidity and Capital Resources

Sources of Liquidity

From our inception through September 30, 2020, we have financed our operations through proceeds received from private placements of convertible notes, common stock and/or warrants, the exercise of options and warrants, NIH grant funding and public offerings of securities. As of September 30, 2020, we had cash, cash equivalents and marketable securities totaling $20.0 million and an accumulated deficit of $146.2 million.

In August 2017, we entered into a Controlled Equity Offering^{SM} Sales Agreement, or Sales Agreement, with Cantor Fitzgerald & Co., or Cantor, pursuant to which we may offer and sell, from time to time through Cantor, shares of our common stock having an aggregate offering price of up to $50.0 million. We pay Cantor a commission rate equal to 3.0% of the aggregate gross proceeds from each sale. Shares sold under the Sales Agreement were offered and sold pursuant to our Registration Statement on Form S-3 (Registration No. 333-218399) that was declared effective by the SEC on June 12, 2017, which we refer to as the S-3 Registration Statement, and a prospectus supplement and accompanying base prospectus that we filed with the SEC on August 18, 2017. During the nine months ended September 30, 2020, we sold an aggregate of 690,895 shares of our common stock, pursuant to the Sales Agreement at a weighted-average selling price of $1.32 per share, which resulted in approximately $0.8 million in net proceeds to the Company. There were no shares sold during the three months ended September 30, 2020 and we do not intend to issue any shares under the Sales Agreement between September 30, 2020 and the closing of the Exchange. During the nine months ended September 30, 2019, we sold an aggregate of 600 shares of our common stock under the Sales Agreement at a weighted average

selling price of $10.03 per share, which resulted in de minimis net proceeds. There were no shares sold during the three months ended September 30, 2019.

In September 2019, we entered into a loan and security agreement with certain affiliates of Pontifax Medison Finance, or the Lenders, that provided for a $20.0 million term loan and bears annual interest at a rate of 8.0%, which we refer to as the Convertible Term Loan. The Convertible Term Loan provided for interest-only payments for twenty-four months and repayment of the aggregate outstanding principal balance of the loan in quarterly installments starting upon expiration of the interest only period and continuing through September 19, 2023. The Lenders could have, at their option, elected to convert some or all of the then outstanding term loan amount and all accrued and unpaid interest thereon into shares of our common stock at a conversion price of $8.76 per share.

On April 8, 2020, we entered into a prepayment notice and pay-off letter with the Lenders, which provided for the full repayment in cash on April 8, 2020 of our $20.0 million Convertible Term Loan. The pay-off letter provided that the repayment amount would be approximately $20.3 million, which included payment in full of all outstanding principal and accrued interest underlying the Convertible Term Loan and $0.3 million for a prepayment fee. Pursuant to the pay-off letter, all of our indebtedness and obligations to the Lenders were discharged in full, and all security interests and other liens held by the Lenders as security for the Convertible Term Loan terminated upon the Lenders' receipt of the repayment amount. In connection with the repayment of the Convertible Term Loan, the warrants previously issued to the lenders were amended and restated so that the new exercise price is $2.08, which was equal to 1.5 times the weighted-average closing price of our common stock during the 90 days prior to the repayment date and resulted in an incremental expense of approximately $54,000. All other terms and conditions of the Pontifax Warrants remain the same.

We made the decision to repay the Convertible Term Loan as a result of changes in our operating needs following our announcement in the first quarter of 2020 that we were discontinuing the development of our HBV program, as well as the cost of capital associated with the Convertible Term Loan.

Cash Flows

The following table summarizes sources and uses of cash for each of the periods presented (in thousands):

	For the Nine Months Ended September 30,	
	2020	2019
Net cash used in operating activities	$ (15,730)	$ (20,471)
Net cash provided by investing activities	16,226	20,559
Net cash (used in) provided by financing activities	(19,451)	19,559
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (18,955)	$ 19,647

Net cash used in operating activities. The use of cash in both periods resulted primarily from our net losses adjusted for non-cash charges and changes in components of working capital. Net cash used in operating activities during the nine months ended September 30, 2020 and 2019 was $15.7 million and $20.5 million, respectively. The decrease in cash used in operating activities during the nine months ended September 30, 2020 compared to nine months ended September 30, 2019 of $4.8 million was primarily due to a decrease in the non-cash change in the fair value of the warrant liability of $7.8 million, non-cash change in stock-based compensation of $1.1 million and prepaid expense and other current assets of $1.0 million, offset by an increase in net loss of $3.4 million, loss on extinguishment of debt of $1.2 million and other net changes of $0.5 million.

Net cash provided by investing activities. Net cash provided by investing activities during the nine months ended September 30, 2020 and 2019 was $16.2 million and $20.6 million, respectively. The cash provided by investing activities during the nine months ended September 30, 2020 was primarily the result of $37.2 million in proceeds from the sale of marketable securities, which was offset by $21.0 million for the purchase of marketable securities. The cash used in investing activities during the nine months ended September 30, 2019 was primarily the result of $26.8 million in proceeds from the sale of marketable securities, which was offset by $6.0 million for the purchase of marketable securities and $0.2 million for the purchase of property and equipment.

Net cash (used in) provided by financing activities. Net cash used in financing activities during the nine months ended September 30, 2020 was $19.5 million and net cash provided by financing activities during the nine months ended September 30, 2019 was approximately $19.6 million. Net cash used in financing activities during the nine months ended September 30, 2020 was primarily the result of $20.3 million for payment of the Convertible Term Loan and prepayment charge, offset by $0.8 million of net proceeds from our at-the-market offering program under the Sales Agreement. Net cash provided by financing activities during the

nine months ended September 30, 2019 was the result of $20.0 million of proceeds from the Convertible Term Loan and Pontifax Warrants, offset by $0.4 million of issuance costs in connection with the Convertible Term Loan and Pontifax Warrants.

Funding Requirements

As of September 30, 2020, we had $20.0 million in cash, cash equivalents and marketable securities. We expect that our cash, cash equivalents and marketable securities as of September 30, 2020 will be sufficient to fund operations for at least the next twelve months. This estimate assumes no additional funding from new collaboration agreements or equity financings.

Our future capital requirements as a stand-alone company, if the proposed Exchange were not to be completed, are difficult to forecast. Our future funding requirements will depend on many factors, including, but not limited to:

- the continued clinical development of SB 11285, our lead STING agonist product candidate;
- the costs involved in conducting preclinical and clinical activities for our STING and COVID-19 programs;
- the costs of preparing, filing, and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims;
- the extent to which we may elect to continue product development activities in the future, if at all; and
- the timing and completion of the Exchange.

We do not expect to raise any additional funds prior to the completion of the Exchange. However, if the Exchange is not completed, we may require significant additional funds earlier than we currently expect in order to conduct clinical trials and preclinical and discovery activities. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with future research and development activities.

To the extent the Exchange is not completed and our capital resources are insufficient to meet our future operating and capital requirements, we will need to finance our future cash needs through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements. However, additional funding may not be available to us on acceptable terms or at all, and our ability to obtain funding may be adversely affected by the uncertainty and volatility in the United States capital markets relating to the ongoing COVID-19 pandemic. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities or by selling convertible debt securities, further dilution to our existing stockholders may result. In addition, pursuant to the instructions to Form S-3, if we file a new S-3 shelf registration statement, we would only have the ability to sell shares under such registration statement, during any 12-month period, in an amount less than or equal to one-third of the aggregate market value of our common stock held by non-affiliates, which is commonly referred to as our "public float." If adequate funds are not available, we may be required to obtain funds through collaborators that may require us to relinquish rights to our technologies or drug candidates that we might otherwise seek to develop or commercialize independently.

Contractual Obligations and Commitments

In September 2019, we entered into the Convertible Term Loan with the Lenders that provided for a $20.0 million term loan with an annual interest rate of 8.0%. The Convertible Term Loan provided for interest-only payments for twenty-four months and repayment of the aggregate outstanding principal balance of the term loan in quarterly installments starting upon expiration of the interest only period and continuing through September 19, 2023. On April 8, 2020, we entered into a prepayment notice and pay-off letter with the Lenders, which provided for the full repayment in cash on April 8, 2020 of the Convertible Term Loan. Pursuant to the pay-off letter, all of our indebtedness and obligations to the Lenders were discharged in full, and all security interests and other liens held by the Lenders as security for the Loan terminated upon the Lenders' receipt of the repayment amount. The Convertible Term Loan and the subsequent repayment are described in Note 9 to the notes to the consolidated financial statements contained in this Quarterly Report on Form 10-Q.

We enter into contracts in the normal course of business with third party service providers for clinical trials, preclinical research studies and testing, manufacturing and other services and products for operating purposes. We have not included our payment obligations under these contracts in the table as these contracts generally provide for termination upon notice, and therefore, we believe that our non-cancelable obligations under these agreements are not material and we cannot reasonably estimate the timing of if

and when they will occur. We could also enter into additional research, manufacturing, supplier and other agreements in the future, which may require up-front payments and even long-term commitments of cash.

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 in the rules and regulations of the SEC.

Recently Issued Accounting Pronouncements

In August 2020, the Financial Accounting Standards Boards ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, Debt - *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40).* The amendments in the ASU removes certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. In addition, the ASU expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments. The ASU is effective for public business entities that meet the definition of a Securities and Exchange Commission ("SEC") filer, excluding smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact that the adoption of this standard may have on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement.* This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2019. We adopted this standard as of January 1, 2020; however, the adoption of this standard did not impact our consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. Our cash, cash equivalents and marketable securities of $20.0 million as of September 30, 2020, consisted of cash, cash equivalents and marketable securities. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of United States interest rates. However, because a significant amount of the marketable securities in our investment portfolio are short-term in nature, an immediate 10% change in market interest rates would not be expected to have a material impact on the fair market value of our investment portfolio or on our financial condition or results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures. Based on that evaluation of our disclosure controls and procedures as of September 30, 2020, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as of such date are effective at the reasonable assurance level. 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, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are 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 information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Inherent Limitations of Internal Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the nine months ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As a result of the COVID-19 pandemic, in March 2020, certain of our employees began working remotely. We have not identified any material changes in our internal control over financial reporting as a result of these changes to the working environment. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On September 3, 2020, a Company stockholder filed a complaint in the United States District Court for the Southern District of New York (*Lenthall v. Spring Bank Pharmaceuticals, Inc. et al, Case No. 1:20-cv-07219 (S.D.N.Y.)*), against the Company and the members of the Company's Board of Directors (the "individual defendants"), alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act and of Delaware state law. The plaintiff alleges that the defendants made materially misleading disclosures in the Company's Form S-4 registration statement filed in connection with the proposed Exchange (the "Form S-4"), by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's fairness opinion and (iii) any financial analyses conducted on the Company. The plaintiff in Lenthall seeks declaratory and injunctive relief to enjoin the Exchange as well as damages and attorneys' and experts' fees.

On September 8, 2020, in the United States District Court for the District of Delaware, a purported class action (*Adam Franchi v. Spring Bank Pharmaceuticals, Inc. et al, Case No. 1:20-cv-01198 (D. Del.)*) was filed against the Company, members of the Company's Board of Directors and F-star, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. This complaint alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) the confidentiality agreements entered into by the Company prior to its engagement of Ladenburg, (iii) the process leading up to the execution of the Exchange Agreement and (iv) any financial analyses performed by Ladenburg. The plaintiff in Franchi seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; filing by the defendants of a Registration Statement deemed not to be materially misleading by the plaintiff; and attorneys' and experts' fees.

On September 18, 2020, in the United States District Court for the Southern District of New York, another Company stockholder filed a complaint (*Arshad v. Spring Bank Pharmaceuticals, Inc., et al., Case No. 1:20-cv-07723 (S.D.N.Y.)*), against the Company and the members of the Company's Board of Directors, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. The plaintiff alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's fairness opinion and (iii) the process relating to the Exchange. The plaintiff in Arshad seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; filing by the defendants of a Registration Statement deemed not to be materially misleading by the plaintiff; and attorneys' and experts' fees.

On October 29, 2020, in the United States District Court Eastern District of New York, another Company stockholder filed a complaint (*Nowakowski v. Spring Bank Pharmaceuticals, Inc., et al., Case No. 1:20-cv-05219 (E.D.N.Y.)*), against the Company and the members of the Company's Board of Directors, alleging violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and as against the individual defendants, alleging violations of Section 20(a) of the Exchange Act. The plaintiff alleges that the defendants made materially misleading disclosures in the Form S-4 by allegedly omitting material information with respect to (i) financial projections relating to the Company and F-star, (ii) Ladenburg's fairness opinion and (iii) the process relating to the Exchange. The plaintiff in Nowakowski seeks declaratory and injunctive relief to enjoin the Exchange; or in the event of consummation of the Exchange, rescissory damages against the defendants; declaration that defendants violated Sections 14(a) and 20(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder; and attorneys' and experts' fees.

The Company believes that the complaints set forth above are without merit and intends to defend against them vigorously. There can be no assurance, however, that the Company or any defendant will be successful. At present, the Company is unable to estimate potential losses, if any, related to these lawsuits.

From time to time, we may become involved in other legal proceedings arising in the ordinary course of our business.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, or the Form 10-K, in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, which could materially affect our business, financial condition, or results of operations. There have been no material changes in or additions to the risk factors referred to in the previous sentence.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Share Exchange Agreement, dated as of July 29, 2020, by and among Spring Bank Pharmaceuticals, Inc., F-star Therapeutics Limited and the persons listed therein (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.1	Form of STING Agonist CVR Agreement by and among Spring Bank, F-star, a representative of the Spring Bank stockholders prior to the Closing, and Computershare Trust Company N.A., as the Rights Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.2	Form of STING Antagonist CVR Agreement by and among Spring Bank, F-star, a representative of the Spring Bank stockholders prior to the Closing, and Computershare Trust Company N.A., as the Rights Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.3	Form of Company Lock-up Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.4	Form of Seller Lock-Up Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.5	Form of Voting Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed July 30, 2020 (Commission File No. 001-37718).
10.6*	Form of Retention and Bonus Award Agreement.
10.7*	Form of Retention and Bonus Award Agreement.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.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)

* Filed herewith.

** Furnished herewith. This certification is not deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and is not deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

Spring Bank Pharmaceuticals, Inc.

Date: November 3, 2020

By: /s/ Lori Firmani

Lori Firmani
Vice President of Finance
(Principal Financial and Accounting Officer)

EXHIBIT 10.6

SPRING BANK PHARMACEUTICALS, INC.
RETENTION AND BONUS AWARD AGREEMENT

This Retention and Bonus Award Agreement (this "Agreement") is made and entered into on _____, 2020 (the "Effective Date"), between Spring Bank Pharmaceuticals, Inc. (the "Company") and _____ ("Employee").

WHEREAS, Employee occupies a key position with the Company and in order to ensure the continued effective conduct of the Company's business, the Company desires to assure itself of the continuous services of Employee;

WHEREAS, Employee is a party to an employment agreement with the Company dated _____ (as amended, the "Employment Agreement");

WHEREAS, on July 29, 2020, the Company entered into a Share Exchange Agreement (the "Exchange Agreement") with F-star Therapeutics Limited ("F-star"), pursuant to which the Company will acquire all of the issued and outstanding share capital of F-star, with F-star remaining as the surviving company (the "Transaction");

WHEREAS, pursuant to the Exchange Agreement, the Company is permitted to sell and/or license certain assets, including the Company's STING antagonist assets (the "Antagonist Assets"), to strengthen its cash position upon the closing of the Transaction (the "Closing"); and

WHEREAS, the Company desires to offer Employee a retention bonus award in an amount equal to the lesser of (i) 10%[1] of the upfront payment from any sale or license of the Antagonist Assets that the Company receives prior to the Closing, and (ii) $100,000 (the "Bonus/Retention Amount").

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. Retention Award. In the event that (i) the Company enters into an agreement for the sale or license of the Antagonist Assets prior to the Closing *and* (ii) the Employee remains continuously employed by the Company between the Effective Date and the Closing, then Employee shall be eligible to receive a retention award equal to the Bonus/Retention Amount (the "Retention Award"). If the Closing does not occur by March 31, 2021, this Agreement shall terminate in full without any further liability to the Company. The Retention Award shall be paid in a single lump sum on or within thirty (30) days following the Closing.

2. Termination of Employment. Employee shall no longer be eligible for any portion of the Retention Award if Employee's employment is terminated for any reason prior to the Closing; provided, however, that if the Company has entered into an agreement for the sale or license of the Antagonist Assets and the Company subsequently terminates Employee's employment without Cause (as defined in the Employment Agreement) or Employee resigns from employment with Good Reason (as defined in the Employment Agreement) prior to the Closing, the Company shall pay Employee the Retention Award in a single lump sum on or within thirty (30) days following Employee's termination of employment.

[1] 5% and $50,000 for Kris Iyer

3. Exclusion for Analogous Retention Benefits; No Effect on Severance and Other Benefits. An employee who is eligible for retention payments or benefits under any analogous retention plan, policy or agreement with the Company shall not be eligible for or entitled to receive this Agreement or any payment or benefit hereunder. This Agreement, however, shall not affect Employee's eligibility or entitlement to receive any benefits payable (i) to Employee under another severance or change of control plan, policy or agreement with the Company or (ii) to Employee under that certain Retention Award Agreement between Employee and the Company dated March 5, 2020.

4. Other Rights and Agreements. This Agreement does not create any employment rights not specifically set forth herein with respect to Employee. Employee's employment remains at-will and can be terminated by the Company at any time and for any reason, with or without Cause. This Agreement contains the entire understanding of the Company and Employee with respect to the subject matter hereof.

5. Confidentiality. Employee agrees and covenants that, except as required by applicable law, Employee shall not disclose, reveal, publish, disseminate, or discuss, directly or indirectly, to or with any other person or entity the terms of this Agreement other than his or her immediate family, lawyer and tax advisor and that any such disclosure, revelation, publication, dissemination or discussion shall result in the immediate forfeiture of the entire Retention Award.

6. Taxation; Section 409A. All payments described herein shall be subject to any and all applicable federal, state, local, foreign and/or other withholding taxes and all other authorized payroll deduction. This Agreement is intended to either comply with or be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and final regulations, rulings and other applicable guidance issued thereunder (collectively, "Section 409A"), and shall be interpreted and administered accordingly. For purposes of Section 409A, references to termination of employment shall, to the extent any payments hereunder are not exempt from Section 409A, be interpreted consistent with the definition of "separation from service" in Section 409A (after giving effect to the presumptions contained therein). If at the time of Employee's termination, Employee is deemed to be a "specified employee" of the Company under Section 409A, then limited only to the extent necessary to comply with the requirements of Section 409A, any payments which are subject to Section 409A (and not otherwise exempt from its application) shall be withheld until the 1st business day of the 7th month following the termination of Employee's employment, at which time Employee shall be paid an aggregate amount equal to the accumulated but unpaid payments otherwise due to Employee. It is intended that each installment of the payments provided in this Agreement shall be treated as a separate "payment" under Section 409A. Neither the Company nor Employee shall have the right to accelerate or defer the delivery of any such payments except to the extent specifically permitted or required by Section 409A. Employee may not designate the taxable year of the Retention Award. Employee acknowledges that the Company does not guarantee the tax treatment or tax consequences associated with any payment provided in this Agreement, including but not limited to under Section 409A.

7. General. This Agreement may be amended only by written agreement signed by the Company and Employee. This Agreement shall be binding on the Employee and Employee's executor, administrator and heirs, but may not be assigned by Employee. This Agreement may be transferred or assigned by the Company and shall be binding on the transferee or assignee.

This Agreement shall automatically be transferred or assigned to and be binding upon any successor in interest to the Company, whether by merger, consolidation, sale of stock, sale of assets or otherwise. This Agreement shall be construed and enforced in accordance with the laws of Massachusetts, without giving effect to the principles of conflict of laws thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Spring Bank Pharmaceuticals, Inc. [Employee Name]

By: _____

Name: Signed Name
Title:

_____
Printed Name

EXHIBIT 10.7

SPRING BANK PHARMACEUTICALS, INC.
RETENTION AND BONUS AWARD AGREEMENT

This Retention and Bonus Award Agreement (this "Agreement") is made and entered into on _____, 2020 (the "Effective Date"), between Spring Bank Pharmaceuticals, Inc. (the "Company") and _____ ("Employee").

WHEREAS, Employee occupies a key position with the Company and in order to ensure the continued effective conduct of the Company's business, the Company desires to assure itself of the continuous services of Employee;

WHEREAS, Employee is a party to an employment agreement with the Company dated _____ (as amended, the "Employment Agreement");

WHEREAS, on July 29, 2020, the Company entered into a Share Exchange Agreement with F-star Therapeutics Limited ("F-star"), pursuant to which the Company will acquire all of the issued and outstanding share capital of F-star, with F-star remaining as the surviving company (the "Transaction"); and

WHEREAS, the Company desires to offer Employee a retention bonus award in an amount equal to $15,000 upon the closing of the Transaction (the "Closing").

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. Retention Award. In the event that the Employee remains continuously employed by the Company between the Effective Date and the Closing, then Employee shall be eligible to receive a retention award in the amount of $15,000 (the "Retention Award"). If the Closing does not occur by March 31, 2021, this Agreement shall terminate in full without any further liability to the Company. The Retention Award shall be paid in a single lump sum on or within thirty (30) days following the Closing.

2. Termination of Employment. Employee shall no longer be eligible for any portion of the Retention Award if Employee's employment is terminated for any reason prior to the Closing; provided, however, that if the Company terminates Employee's employment without Cause (as defined in the Employment Agreement) or Employee resigns from employment with Good Reason (as defined in the Employment Agreement) prior to the Closing, the Company shall pay Employee the Retention Award in a single lump sum on or within thirty (30) days following Employee's termination of employment.

3. Exclusion for Analogous Retention Benefits; No Effect on Severance and Other Benefits. An employee who is eligible for retention payments or benefits under any analogous retention plan, policy or agreement with the Company shall not be eligible for or entitled to receive this Agreement or any payment or benefit hereunder. This Agreement, however, shall not affect Employee's eligibility or entitlement to receive any benefits payable (i) to Employee under another severance or change of control plan, policy or agreement with the Company or (ii) to Employee under that certain Retention Award Agreement between Employee and the Company dated March 5, 2020.

4. Other Rights and Agreements. This Agreement does not create any employment rights not specifically set forth herein with respect to Employee. Employee's employment remains at-will and can be terminated by the Company at any time and for any reason, with or without Cause. This Agreement contains the entire understanding of the Company and Employee with respect to the subject matter hereof.

5. Confidentiality. Employee agrees and covenants that, except as required by applicable law, Employee shall not disclose, reveal, publish, disseminate, or discuss, directly or indirectly, to or with any other person or entity the terms of this Agreement other than his or her immediate family, lawyer and tax advisor and that any such disclosure, revelation, publication, dissemination or discussion shall result in the immediate forfeiture of the entire Retention Award.

6. Taxation; Section 409A. All payments described herein shall be subject to any and all applicable federal, state, local, foreign and/or other withholding taxes and all other authorized payroll deduction. This Agreement is intended to either comply with or be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and final regulations, rulings and other applicable guidance issued thereunder (collectively, "Section 409A"), and shall be interpreted and administered accordingly. For purposes of Section 409A, references to termination of employment shall, to the extent any payments hereunder are not exempt from Section 409A, be interpreted consistent with the definition of "separation from service" in Section 409A (after giving effect to the presumptions contained therein). If at the time of Employee's termination, Employee is deemed to be a "specified employee" of the Company under Section 409A, then limited only to the extent necessary to comply with the requirements of Section 409A, any payments which are subject to Section 409A (and not otherwise exempt from its application) shall be withheld until the 1st business day of the 7th month following the termination of Employee's employment, at which time Employee shall be paid an aggregate amount equal to the accumulated but unpaid payments otherwise due to Employee. It is intended that each installment of the payments provided in this Agreement shall be treated as a separate "payment" under Section 409A. Neither the Company nor Employee shall have the right to accelerate or defer the delivery of any such payments except to the extent specifically permitted or required by Section 409A. Employee may not designate the taxable year of the Retention Award. Employee acknowledges that the Company does not guarantee the tax treatment or tax consequences associated with any payment provided in this Agreement, including but not limited to under Section 409A.

7. General. This Agreement may be amended only by written agreement signed by the Company and Employee. This Agreement shall be binding on the Employee and Employee's executor, administrator and heirs, but may not be assigned by Employee. This Agreement may be transferred or assigned by the Company and shall be binding on the transferee or assignee. This Agreement shall automatically be transferred or assigned to and be binding upon any successor in interest to the Company, whether by merger, consolidation, sale of stock, sale of assets or otherwise. This Agreement shall be construed and enforced in accordance with the laws of Massachusetts, without giving effect to the principles of conflict of laws thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Spring Bank Pharmaceuticals, Inc. [Employee Name]

By: _____

Name: Martin Driscoll Signed Name

Title: President and CEO

_____

Printed Name

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Martin Driscoll, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2020

By: /s/ Martin Driscoll
Martin Driscoll
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Lori Firmani, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2020

By: /s/ Lori Firmani
Lori Firmani
Vice President of Finance
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Spring Bank Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Date: November 3, 2020

By: /s/ Martin Driscoll
Martin Driscoll
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 3, 2020

By: /s/ Lori Firmani
Lori Firmani
Vice President of Finance
(Principal Financial and Accounting 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 Spring Bank Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.