Karyopharm Therapeutics Inc.
Form 10-Q
August 08, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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: 001-36167

Karyopharm Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-3931704**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
85 Wells Avenue, 2nd Floor	
Newton, MA	**02459**
(Address of principal executive offices)	**(Zip Code)**

(617) 658-0600

(Registrant s telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company)	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 July 31, 2017 there were 47,138,861 shares of Common Stock, $0.0001 par value per share, outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except share and per share amounts)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 55,381	$ 49,663
Short-term investments	88,073	79,889
Restricted cash	200	
Prepaid expenses and other current assets	2,070	2,084
Total current assets	145,724	131,636
Property and equipment, net	2,473	2,836
Long-term investments	37,269	45,434
Restricted cash	284	479
Total assets	$ 185,750	$ 180,385
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 3,247	$ 4,751
Accrued expenses	12,876	11,362
Deferred revenue	1,025	
Deferred rent	292	280
Other current liabilities	80	83
Total current liabilities	17,520	16,476
Deferred rent, net of current portion	1,516	1,666
Total liabilities	19,036	18,142
Stockholders equity:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock, $0.0001 par value; 100,000,000 shares authorized; 47,123,208 and 41,887,829 shares issued and outstanding at June 30, 2017 and December 31, 2016,	5	4

respectively		
Additional paid-in capital	592,534	528,617
Accumulated other comprehensive loss	(165)	(274)
Accumulated deficit	(425,660)	(366,104)
Total stockholders equity	166,714	162,243
Total liabilities and stockholders equity	$ 185,750	$ 180,385

See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended, June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Contract and grant revenue	$ 3	$ 59	$ 71	$ 59
Operating expenses:				
Research and development	23,120	24,579	47,203	46,374
General and administrative	6,635	5,956	12,899	11,510
Total operating expenses	29,755	30,535	60,102	57,884
Loss from operations	(29,752)	(30,476)	(60,031)	(57,825)
Other income (expense):				
Interest income	412	329	812	615
Other expense	(29)	(11)	(44)	(7)
Total other income, net	383	318	768	608
Loss before income taxes	(29,369)	(30,158)	(59,263)	(57,217)
Provision for income taxes	(18)		(41)	
Net loss	$ (29,387)	$ (30,158)	$ (59,304)	$ (57,217)
Net loss per share basic and diluted	$ (0.64)	$ (0.84)	$ (1.35)	$ (1.59)
Weighted-average number of common shares outstanding used in net loss per share basic and diluted	45,831,239	35,956,470	43,873,892	35,917,486

See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	$ (29,387)	$ (30,158)	$ (59,304)	$ (57,217)
Comprehensive income (loss)				
Unrealized gain (loss) on investments	(34)	64	25	407
Foreign currency translation adjustments	73	(20)	84	13
Comprehensive loss	$ (29,348)	$ (30,114)	$ (59,195)	$ (56,797)

See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six Months Ended June 30,	
	2017	**2016**
Operating activities		
Net loss	$ (59,304)	$ (57,217)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	363	358
Net amortization of premiums and discounts on investments	592	595
Stock-based compensation expense	11,038	11,563
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	19	503
Other assets		(89)
Accounts payable	(1,507)	233
Accrued expenses and other liabilities	1,484	70
Deferred revenue	1,025	
Deferred rent	(139)	(75)
Net cash used in operating activities	(46,429)	(44,059)
Investing activities		
Purchases of property and equipment		(45)
Proceeds from maturities of investments	60,979	110,046
Purchases of investments	(61,564)	(87,033)
Net cash (used in) provided by investing activities	(585)	22,968
Financing activities		
Proceeds from the issuance of common stock, net of issuance costs	52,323	
Proceeds from the exercise of stock options and shares issued under employee stock purchase plan	303	436
Net cash provided by financing activities	52,626	436
Effect of exchange rate on cash	106	14
Net increase (decrease) in cash and cash equivalents	5,718	(20,641)
Cash and cash equivalents at beginning of period	49,663	58,358
Cash and cash equivalents at end of period	$ 55,381	$ 37,717

Supplemental disclosure of non-cash financing activity

Deferred financing costs included in accounts payable	$	$ 22

See accompanying notes to condensed consolidated financial statements.

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Karyopharm Therapeutics Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Karyopharm Therapeutics Inc., a Delaware corporation (the Company) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including those which are normal and recurring) considered necessary for a fair presentation of the interim financial information have been included. When preparing financial statements in conformity with GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements. Actual results could differ from those estimates. Additionally, operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2017. For further information, refer to the financial statements and footnotes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission (SEC) on March 16, 2017.

Basis of Consolidation

The condensed consolidated financial statements at June 30, 2017 include the accounts of (i) the Company, (ii) Karyopharm Securities Corp. (a wholly-owned Massachusetts corporation of the Company incorporated in December 2013), (iii) Karyopharm Europe GmbH (a wholly-owned German Limited Liability Company formed in August 2014) and (iv) Karyopharm Therapeutics (Bermuda) Ltd. (a wholly-owned Bermuda subsidiary of the Company formed in March 2015). All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists; services have been performed or products have been delivered; the fee is fixed or determinable; and collection is reasonably assured.

The Company evaluates multiple element agreements under the Financial Accounting Standards Board s, or FASB, Accounting Standards Codification, or ASC, Revenue Recognition (Topic 605). When evaluating multiple element arrangements under Topic 605, the Company identifies the deliverables included within the agreement and determines whether the deliverables under the arrangement represent separate units of accounting. Deliverables under the arrangement are a separate unit of accounting if (i) the delivered item has value to the customer on a standalone basis and (ii) if the arrangement includes a general right of return relative to the delivered item and delivery or performance of the undelivered items are considered probable and substantially within the Company s control. This evaluation requires subjective determinations and requires management to make judgments about the individual deliverables and whether such deliverables are separable from the other aspects of the contractual relationship. In determining the units of accounting, management evaluates certain criteria, including whether the deliverables have standalone value, based on the consideration of the relevant facts and circumstances for each arrangement. The Company considers whether the licensor can use the license or other deliverables for their intended purpose without the receipt of the remaining elements, and whether the value of the deliverable is dependent on the undelivered items and whether there are other

vendors that can provide the undelivered items.

Arrangement consideration generally includes up-front license fees. The Company determines how to allocate arrangement consideration to identified units of accounting based on the selling price hierarchy provided under the relevant guidance. The Company determines the estimated selling price for deliverables using vendor-specific objective evidence, or VSOE, of selling price, if available, third-party evidence, or TPE, if VSOE is not available, or best estimate of selling price, or BESP, if neither VSOE nor TPE is available. Determining the BESP for a deliverable requires significant judgment.

Up-Front License Fees

Up-front payments received in connection with licenses of the Company s technology rights are deferred if facts and circumstances dictate that the license does not have stand-alone value. When management believes the license to its intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, it is combined with other deliverables and the revenue of the combined unit of accounting is recorded based on the method appropriate for the last delivered item.

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Milestones

At the inception of each arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive, in accordance with Accounting Standards Update, or ASU, No. 2010-17, Revenue Recognition Milestone Method. A milestone is defined as an event that can only be achieved based on the Company s performance and there is substantive uncertainty about whether the event will be achieved at the inception of the arrangement. Events that are contingent only on the passage of time or only on counterparty performance are not considered milestones under accounting guidance. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the Company s performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the Company s performance to achieve the milestone, (b) the consideration relates solely to past performance (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement and (d) the milestone fee is refundable or adjusts based on future performance or non-performance. The Company evaluates factors such as the scientific, clinical, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment. Payments that are contingent upon the achievement of a substantive milestone are recognized in their entirety in the period in which the milestone is achieved, assuming all other revenue recognition criteria are met.

Sales-based and commercial milestones are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met.

2. Recently Issued Accounting Pronouncements

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating this standard and does not believe it will have a material impact on the Company s consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. The new standard will be effective for the Company on January 1, 2019. The Company is currently evaluating the potential impact that this standard may have on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, for all entities by one year. ASU 2014-09 and subsequent amendments have been codified as ASC 606, *Revenue from Contracts with Customers*. The new standard is now effective for public companies for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the current revenue recognition guidance, including industry-specific guidance. In addition, ASC 606 provides guidance on accounting for certain

revenue-related costs including, but not limited to, when to capitalize costs associated with obtaining and fulfilling a contract. ASC 606 provides companies with two implementation methods. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application).

The Company will adopt ASC 606 effective January 1, 2018. The Company has not yet finalized its assessment of the impact of ASC 606, which is currently only applicable to the Company s arrangement with Anivive Lifesciences, Inc., as described in Note 7. Collaboration and License Agreements. However, the Company anticipates that it will adopt the modified retrospective approach and does not expect the adoption to have a material effect on the Company s consolidated financial statements.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, *Compensation Stock Compensation (Topic 718).* The new standard identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The new standard also provides for companies to make a policy election on accounting for forfeitures. The Company adopted the new standard on January 1, 2017 and has elected to account for forfeitures as they occur. The change was applied on a modified retrospective basis with a cumulative effect adjustment to increase additional paid-in capital and charge accumulated deficit by $254, as of January 1, 2017. In addition, upon adoption of the new standard, the Company has additional deferred tax assets related to tax deductions from excess tax benefits related to the exercise of stock options. As a result, the deferred tax assets associated with net operating losses increased by $1,844 in the first quarter of 2017. The amounts are offset by a corresponding increase in the valuation allowance, therefore, there is no net effect on the Company s results of operations for the three or six months ended June 30, 2017.

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3. Fair Value of Financial Instruments

Financial instruments, including cash, restricted cash, prepaid expenses and other current assets, accounts payable and accrued expenses are presented in the condensed consolidated financial statements at amounts that approximate fair value at June 30, 2017 and December 31, 2016.

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

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

Items classified as Level 2 within the valuation hierarchy consist of commercial paper, corporate debt securities and U.S. government agency securities. The Company estimates the fair values of these marketable securities by taking into consideration valuations obtained from third-party pricing sources. These pricing sources utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include market pricing based on real-time trade data for the same or similar securities, issuer credit spreads, benchmark yields, and other observable inputs. The Company validates the prices provided by its third-party pricing sources by understanding the models used, obtaining market values from other pricing sources and analyzing pricing data in certain instances.

The following table presents information about the Company s financial assets that have been measured at fair value at June 30, 2017 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

Description	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash equivalents:				
Money market funds	$ 32,601	$ 32,601	$	$
Investments:				
Current:				
Corporate debt securities	64,372		64,372	
Commercial paper	19,205		19,205	
U.S. government and agency securities	4,496		4,496	

Non-current:				
Corporate debt securities (one to two year maturity)	34,769		34,769	
Certificates of deposit (one to two year maturity)	2,500		2,500	
	$ 157,943	$ 32,601	$ 125,342	$

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The following table presents information about the Company s financial assets that have been measured at fair value at December 31, 2016 and indicates the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

Description	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash equivalents:				
Money market funds	$ 37,916	$ 37,916	$	$
Investments:				
Current:				
Corporate debt securities	52,722		52,722	
Commercial paper	24,668		24,668	
U.S. government and agency securities	2,499		2,499	
Non-current:				
Corporate debt securities (one to two year maturity)	43,435		43,435	
U.S. government securities	1,999		1,999	
	$ 163,239	$ 37,916	$ 125,323	$

4. Investments

The following table summarizes the Company s investments as of June 30, 2017 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	$ 64,449	$ 3	$ (79)	$ 64,373
Commercial paper	19,207		(3)	19,204
U.S. government and agency securities	4,500		(4)	4,496
Non-current:				
Corporate debt securities (one to two year maturity)	34,816	12	(59)	34,769
Certificates of deposit (one to two year maturity)	2,500			2,500
	$ 125,472	$ 15	$ (145)	$ 125,342

The following table summarizes the Company s investments as of December 31, 2016 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
Current:				
Corporate debt securities	$ 52,762	$ 5	$ (45)	$ 52,722
Commercial paper	24,670	5	(7)	24,668
U.S. government and agency securities	2,500		(1)	2,499
Non-current:				
Corporate debt securities (one to two year maturity)	43,546	29	(140)	43,435
U.S. government and agency securities	2,000		(1)	1,999
	$ 125,478	$ 39	$ (194)	$ 125,323

At June 30, 2017 and December 31, 2016, the Company held 63 and 58 debt securities, respectively, that were in an unrealized loss position for less than one year. The aggregate fair value of debt securities in an unrealized loss position at June 30, 2017 and December 31, 2016 was $103,498 and $95,949, respectively. There were no individual securities that were in a significant unrealized loss position or that had been in an unrealized loss position for greater than one year as of June 30, 2017 or December 31, 2016.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment s carrying amount is not recoverable within a reasonable period of time.

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Other-than-temporary impairments of investments are recognized in the condensed consolidated statements of operations if the Company has experienced a credit loss and has the intent to sell the investment or if it is more likely than not that the Company will be required to sell the investment before recovery of the amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company s investment policy, the severity and the duration of the impairment and changes in value subsequent to the end of the period.

5. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	Estimated Useful Life Years	June 30, 2017	December 31, 2016
Laboratory equipment	4	$ 538	$ 538
Furniture and fixtures	5	381	381
Office and computer equipment	3	371	371
Leasehold improvements	Lesser of useful life or lease term	3,391	3,391
		4,681	4,681
Less accumulated depreciation and amortization		(2,208)	(1,845)
		$ 2,473	$ 2,836

6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2017	December 31, 2016
Research and development costs	$ 9,688	$ 6,855
Payroll and employee-related costs	2,138	3,476
Professional fees	779	480
Other	271	551
	$ 12,876	$ 11,362

7. Collaboration and License Agreements

Anivive Agreement

On April 28, 2017, the Company entered into a license agreement with Anivive Lifesciences, Inc. (Anivive), a biopharmaceutical company engaged in the research, development and commercialization of animal health medicines, pursuant to which the Company has granted Anivive an exclusive, worldwide license to develop and commercialize verdinexor (KPT-335) for the treatment of cancer in companion animals (the Anivive Agreement). Pursuant to the terms of the Anivive Agreement, the Company received an upfront payment of $1.0 million. In addition, the Company will be eligible to receive potential future technology transfer and clinical, regulatory and commercial development milestone payments totaling up to $43.5 million, as well as a low double digit royalty based on Anivive s future net sales of verdinexor following commercialization. The potential future milestone payments are comprised of $0.25 million for completion of the technology transfer, $5.75 million based on achievement of clinical and regulatory milestone events and $37.5 million based on achievement of sales milestone events.

In accordance with ASC 605, the Company identified the deliverables at the inception of the Anivive Agreement. The significant deliverables were determined to include the license and the Company s responsibility to transfer the technology package relating to verdinexor. The Company determined that the license does not have stand-alone value separate and apart from the transfer of the verdinexor technology package to Anivive because (1) there are no other vendors selling similar licenses on a stand-alone basis and (2) Anivive is unable to use the license for its intended purpose without the technology transfer. As such, the Company determined that there is one unit of accounting. The total consideration of $1.25 million, including the $1.0 million upfront payment and a $0.25 million payment for completion of the technology transfer, was allocated to the single unit of accounting and will be recognized as revenue once the technology transfer is completed, which is the final item to be delivered in the unit of accounting. The technology transfer is expected to be completed within six months of the date of the Anivive Agreement. As of June 30, 2017, $1.0 million was included in deferred revenue under the Anivive Agreement and is classified as a current liability in the consolidated balance sheet.

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8. Net Loss Per Share

Basic and diluted net loss per common share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. The Company s potentially dilutive shares, which include outstanding stock options and unvested restricted stock and restricted stock units, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Three and Six Months Ended June 30,	
	2017	2016
Outstanding stock options	6,846,192	5,421,363
Unvested restricted stock units	439,250	479,000

9. Stock-based Compensation

Stock options

A summary of the Company s stock option activity and related information follows:

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2016	5,574,179	$ 16.55	7.7	$ 12,178
Granted	1,880,200	10.18		
Exercised	(15,686)	5.39		
Canceled	(592,501)	16.04		
Outstanding at June 30, 2017	6,846,192	$ 14.87	7.5	$ 10,758
Exercisable at June 30, 2017	3,553,381	$ 16.60	6.2	$ 8,857

Total stock-based compensation expense related to stock options for the six months ended June 30, 2017 and 2016 was $8,973 and $9,080, respectively.

As of June 30, 2017, there was $26,250 of total unrecognized stock-based compensation expense related to stock options. The expense is expected to be recognized over a weighted-average period of 2.7 years.

Restricted stock units

A restricted stock unit (RSU) represents the right to receive one share of the Company s common stock upon vesting of the RSU. The fair value of each RSU is based on the closing price of the Company s common stock on the date of grant. In November 2015, the Company granted RSUs with service conditions that vest in two equal annual installments provided that the employee remains employed with the Company (Time-Based RSUs). During the six months ended June 30, 2017, the Company granted performance-based RSUs, which vest upon the achievement of certain performance goals subject to the employee s continued employment (Performance-Based RSUs). In the event the performance goals are not achieved, none of the Performance-Based RSUs will vest. The grant date fair value of the Performance-Based RSUs is $2.6 million and will be recognized on an accelerated attribution basis when the Performance-Based RSUs are deemed probable of achievement to the date the awards vest. No stock-based compensation expense related to the Performance-Based RSUs was recognized during the six months ended June 30, 2017, as the likelihood of the Performance-Based RSUs being earned was not deemed probable of achievement as of June 30, 2017. The following is a summary of RSU activity under the 2013 Stock Incentive Plan for the six months ended June 30, 2017:

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	Number of Shares Underlying RSUs	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2016	214,300	$ 17.91
Granted	289,800	10.31
Forfeited	(59,550)	12.90
Vested	(5,300)	17.91
Unvested at June 30, 2017	439,250	$ 13.27

The total stock-based compensation expense related to RSUs for the six months ended June 30, 2017 and 2016 was $1,594 and $2,367, respectively. As of June 30, 2017, $1,147 of unrecognized compensation costs related to unvested Time-Based RSUs are expected to be recognized over a weighted-average period of 0.4 years.

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (ESPP) that permits eligible employees to enroll in six-month offering periods. Participants may purchase shares of the Company s common stock, through payroll deductions, at a price equal to 85% of the fair market value of the common stock on the first or last day of the applicable six-month offering period, whichever is lower. Purchase dates under the ESPP occur on or about May 1 and November 1 of each year. In 2013, the Company s stockholders approved the reservation of 242,424 shares of the Company s common stock for issuance under the ESPP, plus an annual increase to be added on the first day of each fiscal year, commencing on January 1, 2015 and ending on December 31, 2023, equal to the lesser of 484,848 shares of the Company s common stock, 1% of the number of outstanding shares on such date, or an amount determined by the board of directors.

For the six months ended June 30, 2017 and 2016, the Company recorded stock-based compensation expense related to the ESPP of $100 and $116, respectively. As of June 30, 2017, 454,977 shares of the Company s common stock remained available for issuance under the ESPP. As of June 30, 2017, there was $69 of total unrecognized stock-based compensation expense related to the ESPP. The expense is expected to be recognized over a period of four months.

Impact of Separation Agreement

During the three months ended June 30, 2017, the Company recorded $371 of stock-based compensation expense on share-based payment awards previously granted to a former executive who entered into a separation agreement and consulting agreement with the Company in April 2017. Generally, the agreements provided for continued vesting of certain unvested stock options and Time-Based RSUs as of the separation date under the original terms of the share-based payment awards through the term of the consulting agreement. The related stock-based compensation expense was recorded in the three months ended June 30, 2017.

10. Commitments and Contingencies

In March 2014, the Company entered into an operating lease for approximately 29,933 square feet of office and research space in Newton, Massachusetts. The Company uses the leased premises as its corporate headquarters and for research and development purposes. The lease was amended on December 31, 2014 by extending the lease term of the lease from November 30, 2021 to September 30, 2022. The amendment provides for the expansion of the premises leased by the Company by approximately 16,234 square feet, and provides the Company with the rights of first offer to lease approximately 27,701 square feet of additional space. The Company may extend the lease term for one additional five year period. The Company is recording rent expense on a straight-line basis through the end of the

lease term, inclusive of the period in which there are no scheduled rent payments. The Company has recorded deferred rent on the condensed consolidated balance sheets at June 30, 2017 and December 31, 2016, accordingly. The lease provides the Company with an allowance for improvements of $1,616, all of which was incurred in the first quarter of 2015. All improvements were deemed normal tenant improvements, were recorded as leasehold improvements and deferred rent and will be recorded as a reduction to rent expense ratably over the lease term. The Company has provided a security deposit in the form of a cash-collateralized letter of credit in the amount of $400, which amount may be reduced to $200 in January 2018. The amount is classified as restricted cash on the condensed consolidated balance sheet. As of June 30, 2017, $200 has been reclassified to current assets.

In November 2014, the Company signed a five-year operating lease agreement in Munich, Germany for approximately 3,681 square feet of office space. The lease is for the period February 2015 through January 2020. Pursuant to the lease agreement, the Company is obligated to make aggregate rent payments of 374 (approximately $427), through January 31, 2020. The Company is recording rent expense on a straight-line basis through the end of the lease term, inclusive of the period in which there are no scheduled rent payments.

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The Company recorded rent expense totaling $297 and $290 for the three months ended June 30, 2017 and 2016, respectively, and $598 and $579 for the six months ended June 30, 2017 and 2016, respectively.

11. Equity

Underwritten Offering

On April 28, 2017, the Company completed a follow-on offering under its shelf registration statement on Form S-3 (File No. 333-214489) pursuant to which the Company issued an aggregate of 3,902,439 shares of common stock at a public offering price of $10.25 per share. The Company received net proceeds of approximately $37.9 million from the offering after deducting the underwriting discount and commissions and offering expenses.

Controlled Equity Offering Sales Agreement

On December 7, 2015, the Company entered into a Controlled Equity Offering Sales Agreement with Cantor Fitzgerald & Co., as sales agent (Cantor), pursuant to which the Company may issue and sell, from time to time, through Cantor, shares of the Company s common stock (the Shares), up to an aggregate offering price of $50.0 million. On November 7, 2016, the Company entered into an amendment to the Controlled Equity Offering Sales Agreement (as amended, the Agreement) that provides that the Company may issue and sell additional Shares having an additional aggregate offering price of up to $50.0 million on or after November 7, 2016.

Under the Agreement, Cantor may sell the Shares by methods deemed to be an at-the-market offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the Securities Act), including sales made directly on The NASDAQ Global Select Market, on any other existing trading market for the Shares or to or through a market maker. In addition, under the Agreement, Cantor may sell the Shares by any other method permitted by law, including in privately negotiated transactions.

The Company is not obligated to make any sales of the Shares under the Agreement. The Company or Cantor may suspend or terminate the offering of Shares upon notice to the other party and subject to other conditions. The Company will pay Cantor a commission of up to 3.0% of the gross proceeds from the sale of the Shares pursuant to the Agreement and has agreed to provide Cantor with customary indemnification and contribution rights.

As of July 31, 2017, the Company had sold an aggregate of 7,042,213 Shares under the Agreement, for net proceeds of approximately $66.5 million. The Company sold an aggregate of 1,276,017 Shares under the Agreement during the three months ended June 30, 2017 for net proceeds of approximately $14.4 million.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the following discussion, 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 possible achievement of discovery and development milestones, our future discovery and development efforts, our potential collaborations with third parties, our strategy, our future operations, financial position and revenues, projected costs, prospects, plans and objectives of management, are forward looking statements. The words anticipate, believe, estimate, expect, intend, may, plan, predic target, potential, will, would, could, should, continue and similar expressions are intended to identify forw statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the plans, intentions, expectations or results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, adverse results in our drug discovery and clinical development activities, decisions made by the U.S. Food and Drug Administration and other regulatory authorities with respect to the development and commercialization of our drug candidates, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional potential product candidates, our ability to obtain, maintain and enforce our intellectual property, the outcome of research and development activities and the fact that the preclinical and clinical testing of our compounds may not be predictive of the success of later clinical trials, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2016, or 2016 Form 10-K, as filed with the Securities and Exchange Commission, or SEC, on March 16, 2017, and other filings with the SEC.

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

OVERVIEW

We are a clinical-stage pharmaceutical company focused on the discovery, development and subsequent commercialization of novel, first-in-class drugs directed against nuclear transport and related targets for the treatment of cancer and other major diseases. Our scientific expertise is focused on understanding the regulation of intracellular communication between the nucleus and the cytoplasm. We have discovered and are developing wholly-owned, novel, small molecule **Selective Inhibitor of Nuclear Export,** or **SINE** , compounds that inhibit the nuclear export protein XPO1. These SINE compounds represent a new class of drug candidates with a novel mechanism of action that have the potential to treat a variety of diseases in areas of unmet medical need. Our SINE compounds were the first oral XPO1 inhibitors in clinical development.

Our initial focus is on seeking the regulatory approval and commercialization of our lead drug candidate, selinexor (KPT-330), as an oral agent in cancer indications with significant unmet clinical need, initially for hematologic malignancies. We then plan to seek additional approvals for the use of selinexor in combination therapies to expand the patient populations that are eligible for selinexor, as well as to move selinexor towards front-line cancer therapy. We are also advancing the clinical development of selinexor in multiple solid tumor indications. To date, over 2,100 patients have been treated with oral selinexor in company- and investigator-sponsored clinical trials in advanced hematologic malignancies and solid tumors. Selinexor is currently being evaluated in several mid- and later-stage clinical trials, including, among others, the pivotal, randomized Phase 3 BOSTON (**Bo**rtezomib, **S**elinexor and Dexame**t**has**on**e) study in multiple myeloma, the Phase 2b STORM (**S**elinexor **T**reatment **o**f **R**efractory **M**yeloma) study in multiple myeloma, the Phase 1b/2 STOMP (**S**elinexor and Backbone **T**reatments **o**f **M**ultiple Myeloma **P**atients) study in combination with backbone therapies in multiple myeloma, the Phase 2b SADAL (**S**elinexor **A**gainst **D**iffuse **A**ggressive **L**ymphoma) study in diffuse large B-cell lymphoma (DLBCL), and the Phase 2/3 SEAL (**Se**linexor in **A**dvanced **L**iposarcoma) study in liposarcoma. We expect to provide topline data for the SADAL study in the second half of 2018, the hazard ratio for progression free survival from the Phase 2 portion of the SEAL study during September or October 2017, topline data from the expanded cohort for the STORM study by April 2018 and topline data from the BOSTON study in 2019. We are also preparing to establish the commercial infrastructure to support a potential launch of selinexor in North America and Western Europe. We have devoted substantially all of our efforts to research and

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development. We expect that it will be several years, if ever, before we have a drug candidate ready for commercialization for the treatment of human disease. To date, we have financed our operations principally through private placements of our preferred stock and proceeds from public offerings of our common stock.

As of June 30, 2017, we had an accumulated deficit of $425.7 million. We had net losses of $29.4 million and $30.2 million for the three months ended June 30, 2017 and 2016, respectively, and net losses of $59.3 million and $57.2 million for the six months ended June 30, 2017 and 2016, respectively. We have not generated any revenue to date from the sales of any drugs.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. The net losses we incur may fluctuate significantly from quarter to quarter. We anticipate that our expenses will increase substantially if and as we:

- continue our research and preclinical and clinical development of our drug candidates;
- initiate additional clinical trials for our drug candidates;
- seek marketing approvals for any of our drug candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any drugs for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- manufacture our drug candidates;
- hire additional clinical, quality control and scientific personnel;
- identify additional drug candidates;
- acquire or in-license other drugs and technologies; and
- add operational, financial and management information systems and personnel, including personnel to support our drug development, any future commercialization efforts and our other operations as a public company.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

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

There were no changes to the critical accounting policies we identified in the 2016 Form 10-K, other than the adoption of ASU No. 2016-09, as described further in Note 2 to the Condensed Consolidated Financial Statements. It is important that the discussion of our operating results that follows be read in conjunction with the critical accounting policies disclosed in the 2016 Form 10-K.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2017 and June 30, 2016

	Three Months Ended June 30,			
	2017	2016	$ Change	% Change
	(in thousands)			
Contract and grant revenue	$ 3	$ 59	$ (56)	(95)%
Operating expenses:				
Research and development	23,120	24,579	(1,459)	(6)%
General and administrative	6,635	5,956	679	11%
Loss from operations	(29,752)	(30,476)	724	(2)%
Other income, net	383	318	65	20%
Loss before income taxes	(29,369)	(30,158)	789	(3)%
Provision for income taxes	(18)		(18)	
Net loss	$ (29,387)	$ (30,158)	$ 771	(3)%

Contract and Grant Revenue. We recognized revenue pursuant to a government grant agreement during the three months ended June 30, 2017 and June 30, 2016.

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Research and Development Expense. Research and development expense decreased approximately $1.5 million to $23.1 million for the three months ended June 30, 2017 from approximately $24.6 million for the three months ended June 30, 2016. The decrease is primarily related to:

- a decrease of approximately $0.4 million in clinical trial costs, primarily related to the selinexor program;
- a decrease of $1.3 million in personnel costs, including a decrease in stock compensation of $0.9 million and a lower headcount;
- a decrease of $0.5 million in discovery costs; and
- a decrease of approximately $0.3 million in travel and other costs;
- partially offset by an increase of $1.1 million in consulting and professional expense.

We expect our research and development expenses to increase for the full year 2017 compared with the prior year as we continue spending on our development programs and clinical trials.

General and Administrative Expense. General and administrative expense increased approximately $0.7 million to $6.6 million for the three months ended June 30, 2017 from approximately $6.0 million for the three months ended June 30, 2016. The increase is primarily related to:

- an increase of approximately $0.2 million in personnel costs primarily due to compensation increases offset by a decrease of $0.4 million in stock-based compensation expense; and
- an increase of approximately $0.4 million in consulting, travel and other expense.

We expect general and administrative expenses to increase in the future in support of our expanding operating activities.

Other Income, net. Other income, net, increased approximately $0.1 million to $0.4 million for the three months ended June 30, 2017 from approximately $0.3 million for the three months ended June 30, 2016, primarily due to higher average investment balances from funds raised through the Controlled Equity Offering and follow-on offering from April 2017.

Comparison of the Six Months Ended June 30, 2017 and June 30, 2016

	Six Months Ended June 30,			
	2017	**2016**	**$ Change**	**% Change**

	(in thousands)			
Contract and grant revenue	$ 71	$ 59	$ 12	20%
Operating expenses:				
Research and development	47,203	46,374	829	2%
General and administrative	12,899	11,510	1,389	12%
Loss from operations	(60,031)	(57,825)	(2,206)	4%
Other income, net	768	608	160	26%
Loss before income taxes	(59,263)	(57,217)	(2,046)	4%
Provision for income taxes	(41)		(41)	
Net loss	$ (59,304)	$ (57,217)	$ (2,087)	4%

Contract and Grant Revenue. We recognized revenue pursuant to a government grant agreement during the six months ended June 30, 2017 and June 30, 2016.

Research and Development Expense. Research and development expense increased approximately $0.8 million to $47.2 million for the six months ended June 30, 2017 from approximately $46.4 million for the six months ended June 30, 2016. The increase is primarily related to:

- an increase of approximately $1.2 million in clinical trial costs, primarily related to the selinexor program;
- an increase of $1.2 million in consulting and professional expense;
- a decrease of $0.8 million in discovery costs; and
- a decrease of $0.7 million in personnel costs, primarily due to decreased stock compensation expense of $0.5 million.

We expect our research and development expenses to continue to increase for the full year 2017 compared with the prior year as we continue spending on our development programs and clinical trials.

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General and Administrative Expense. General and administrative expense increased approximately $1.4 million to $12.9 million for the six months ended June 30, 2017 from approximately $11.5 million for the six months ended June 30, 2016. The increase is primarily related to:

- an increase of approximately $0.8 million in personnel costs due to increased headcount and severance costs; and
- an increase of approximately $0.6 million in travel, occupancy and other expense.

We expect general and administrative expenses to increase in the future in support of our expanding operating activities.

Other Income, net. Other income, net, increased approximately $0.2 million to $0.8 million for the six months ended June 30, 2017 from approximately $0.6 million for the six months ended June 30, 2016, primarily due to increased returns resulting from a general increase in interest rates and higher average investment balances from funds raised through the Controlled Equity Offering and follow-on offering from April 2017.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

To date, we have not generated any material revenues. We have financed our operations to date principally through private placements of our preferred stock and proceeds from public offerings of our common stock.

As of June 30, 2017, we had $181.2 million in cash, cash equivalents, restricted cash and short- and long-term investments compared to $175.5 million in cash, cash equivalents, restricted cash and short- and long-term investments as of December 31, 2016.

In December 2015, we entered into a sales agreement (the Agreement) relating to an at-the-market offering, pursuant to which we may sell shares of our common stock with an aggregate offering price of up to $50.0 million. On November 7, 2016, we entered into an amendment to the Agreement pursuant to which we may issue and sell shares of our common stock, having an additional aggregate offering price of up to $50.0 million on or after November 7, 2016. As of July 31, 2017, we had sold an aggregate of 7,042,413 shares pursuant to this at-the-market offering, for net proceeds of approximately $66.5 million which included an aggregate of 1,276,017 shares sold in April 2017 for net proceeds of approximately $14.4 million.

On April 28, 2017, we completed a follow-on offering under our shelf registration statement on Form S-3 (File No. 333-214489) pursuant to which we issued an aggregate of 3,902,439 shares of our common stock at a public offering price of $10.25 per share. We received net proceeds of approximately $37.9 million from the offering, after deducting the underwriting discounts and commissions and offering expenses payable by us. After the completion of this follow-on offering, up to a maximum aggregate offering price of $160 million of our common stock, preferred stock, debt securities and/or warrants remain available under our shelf registration statement on Form S-3 (File No. 333-214489).

We expect that our cash, cash equivalents, restricted cash and short- and long-term investments as of June 30, 2017, totaling $181.2 million, will be sufficient to fund our current operating plan and capital expenditure requirements into

2019 while we are preparing to establish a commercial infrastructure for a potential launch of selinexor in North America and Europe.

Cash Flows

The following table provides information regarding our cash flows:

	Six Months Ended June 30,	
	2017	2016
	(in thousands)	
Net cash used in operating activities	$ (46,429)	$ (44,059)
Net cash (used in) provided by investing activities	(585)	22,968
Net cash provided by financing activities	52,626	436
Effect of exchange rate changes	106	14
Net increase (decrease) in cash and cash equivalents	$ 5,718	$ (20,641)

Operating activities. The net cash used in operating activities in both periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The increase in cash used in operating activities during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was driven primarily by an increase in our net loss due to an increase in our operating expenses.

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Investing activities. The net cash used in investing activities during the six months ended June 30, 2017 reflects a decrease of $49.1 million in maturities of investments, offset by a decrease of $25.5 million in purchases of investments.

Financing activities. The net cash provided by financing activities for the six months ended June 30, 2017 reflects an increase of $52.2 million compared to the six months ended June 30, 2016. The increase was primarily related to the net proceeds of $37.9 million from our follow-on offering and net proceeds of $14.4 million from the sale of shares of common stock in April 2017 as part of the at-the-market offering, offset by a decrease of $0.1 million in proceeds from the exercise of stock options.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the clinical trials of, and assuming positive results of our clinical trials and based on regulatory feedback, if and when we seek marketing approval for, selinexor and our other drug candidates. In addition, if we obtain marketing approval for any of our drug candidates, we expect to incur significant commercialization expenses related to drug sales, marketing, manufacturing and distribution to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time for any such drug. Furthermore, we expect to continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We expect that our cash, cash equivalents, restricted cash and short- and long-term investments as of June 30, 2017, totaling $181.2 million, will be sufficient to fund our current operating plan and capital expenditure requirements into 2019 while we are preparing to establish a commercial infrastructure for a potential launch of selinexor in North America and Europe. Our future capital requirements will depend on many factors, including:

- the progress and results of our current and planned clinical trials of selinexor;
- the scope, progress, results and costs of drug discovery, preclinical development, laboratory testing and clinical trials for our other drug candidates;
- the costs, timing and outcome of regulatory review of our drug candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the success of any collaborations that we may enter into with third parties;
- the extent to which we acquire or in-license other drugs and technologies;

the costs of future commercialization activities, including drug sales, marketing, manufacturing and distribution, for any of our drug candidates for which we receive marketing approval, to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time;

the amount of revenue, if any, received from commercial sales of our drug candidates, should any of our drug candidates receive marketing approval; and

the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

Identifying potential drug candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve drug sales. In addition, our drug candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

Contractual Obligations

There have been no material changes to our contractual obligations described in Management s Discussion and Analysis of Financial Condition and Results of Operations in the 2016 Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS

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

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. We had cash, cash equivalents, restricted cash and investments of $181.2 million as of June 30, 2017. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because all of our investments are in short-term securities. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our investment portfolio.

We do not believe our cash, cash equivalents, restricted cash and investments have significant risk of default or illiquidity. While we believe our cash, cash equivalents and investments do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in securities at one or more financial institutions that are in excess of federally insured limits. Give the potential instability of financial institutions, we cannot provide assurance that we will not experience losses on these deposits.

We are also exposed to market risk related to change in foreign currency exchange rates. We contract with contract research organizations and contract manufacturing organizations that are located in Canada and Europe, which are denominated in foreign currencies. We also contract with a number of clinical trial sites outside the United States, and our budgets for those studies are frequently denominated in foreign currencies. We are subject to fluctuations in foreign currency rates in connection with these agreements. We do not currently hedge our foreign currency exchange rate risk.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Vice President, Finance and Assistant Treasurer (principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2017. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including its principal executive and principal financial officers, 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 management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2017, our Chief Executive Officer and Vice President, Finance and Assistant Treasurer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the fiscal quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1A. Risk Factors.

Careful consideration should be given to the following risk factors, in addition to the other information set forth in this Quarterly Report on Form 10-Q and in other documents that we file with the SEC, in evaluating the Company and our business. Investing in our common stock involves a high degree of risk. If any of the following risks and uncertainties actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected. The risks described below are not intended to be exhaustive and are not the only risks facing the Company. New risk factors can emerge from time to time, and it is not possible to predict the impact that any factor or combination of factors may have on our business, prospects, financial condition and results of operations.

Risks Related to the Discovery, Development and Commercialization of Our Drug Candidates

We depend heavily on the success of our lead drug candidate selinexor (KPT-330), which is currently in clinical trials. Our clinical trials of selinexor may not be successful. If we are unable to commercialize selinexor or experience significant delays in doing so, our business will be materially harmed.

We have invested a significant portion of our efforts and financial resources in the research and development of our lead drug candidate, selinexor. Our ability to generate revenues from the sale of drugs that treat cancer and other diseases in humans, which we do not expect to occur for several years, if ever, will depend heavily on the successful development, regulatory approval and eventual commercialization of selinexor.

We cannot commercialize drug candidates in the United States without first obtaining regulatory approval for the drug from the U.S. Food and Drug Administration, or FDA; similarly, we cannot commercialize drug candidates outside of the United States without obtaining regulatory approval from similar regulatory authorities outside of the United States. Even if selinexor or another drug candidate were to successfully obtain approval from the FDA and non-U.S. regulatory authorities, any approval might contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for selinexor in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development, marketing and/or commercialization of selinexor or any other drug candidate that we may discover, in-license, develop or acquire in the future. Furthermore, even if we obtain regulatory approval for selinexor, we will still need to develop a commercial organization, or collaborate with a third party for the commercialization of selinexor, establish commercially viable pricing and obtain approval for adequate reimbursement from third-party and government payors. If we or our commercialization collaborators are unable to successfully commercialize selinexor, we may not be able to generate sufficient revenues to continue our business.

The results of previous clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA or non-U.S. regulatory authorities.

We currently have no drugs approved for sale and we cannot guarantee that we will ever have marketable drugs. Clinical failure can occur at any stage of clinical development. Clinical trials may produce negative or inconclusive results, and we or any future collaborators may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our drug candidates are safe and effective for use in a diverse population before we can seek

regulatory approvals for their commercial sale. Success in early-stage clinical trials does not mean that future larger registration clinical trials will be successful because drug candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities despite having progressed through early-stage clinical trials. Drug candidates that have shown promising results in early-stage clinical trials may still suffer significant setbacks in subsequent registration clinical trials. Additionally, the outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later-stage clinical trials, and interim results of a clinical trial are not necessarily indicative of final results. For example, in 2016 we released top-line interim results from our Selinexor Treatment of Refractory Myeloma (STORM) study. While we believe the results we have observed to date are positive, there can be no assurance that further analysis will confirm our initial observations regarding this interim data or that data from the planned expansion of our STORM study will reflect similar results.

In addition, the design of a clinical trial can determine whether its results will support approval of a drug, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. We have limited experience in designing clinical trials and may be unable to design and conduct a clinical trial to support regulatory approval. Further, if our drug candidates are found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for them and our business would be harmed. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

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In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We do not know whether any Phase 2, Phase 3 or other clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain regulatory approval to market our drug candidates.

Further, our drug candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or other registration trials. The FDA or non-U.S. regulatory authorities may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a drug candidate even after reviewing and providing comments or advice on a protocol for a clinical trial that has the potential to result in approval by the FDA or another regulatory authority. In addition, any of these regulatory authorities may also approve a drug candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. Furthermore, the FDA or other non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our drug candidates.

To date, we have had fairly limited discussions with the FDA and non-U.S. regulatory authorities regarding the design of our later phase clinical trials for selinexor, including the BOSTON, STORM, SADAL and SEAL studies currently underway. We plan to seek regulatory approvals of selinexor in North America and Europe in each indication with respect to which such later phase clinical trial is being conducted and with respect to which we receive positive results that may support full or accelerated approval, as the case may be. We may also seek such approvals in other geographies. We cannot be certain that we will commence additional later phase trials or complete ongoing later phase trials as anticipated. Before obtaining regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate with substantial evidence gathered in preclinical studies and well-controlled clinical studies, and, with respect to approval in the United States, to the satisfaction of the FDA, that the drug candidate is safe and effective for use for that target indication. There is no assurance that the FDA or non-U.S. regulatory authorities would consider our current and planned later phase clinical trials to be sufficient to serve as the basis for filing for approval or to gain approval of selinexor for any indication. The FDA and non-U.S. regulatory authorities retain broad discretion in evaluating the results of our clinical trials and in determining whether the results demonstrate that selinexor is safe and effective. If we are required to conduct additional clinical trials of selinexor prior to approval, including additional earlier phase clinical trials that may be required prior to commencing any later phase clinical trials, or additional clinical trials following completion of our current and planned later phase clinical trials, we will need substantial additional funds, and there is no assurance that the results of any such additional clinical trials will be sufficient for approval.

The results to date in preclinical and early clinical studies conducted by us or our academic collaborators and in Phase 1 and Phase 2 clinical trials that we are currently conducting include the response of tumors to selinexor. We expect that in any later phase clinical trial where patients are randomized to receive either selinexor on the one hand, or standard of care, supportive care or placebo on the other hand, the primary endpoint will be either progression free survival, meaning the length of time on treatment until objective tumor progression, or overall survival, while the primary endpoint in any later phase clinical trial that is not similarly randomized may be different. For example, the primary endpoint of our Phase 2/3 SEAL study, the clinical trial of selinexor in patients with dedifferentiated liposarcoma, and our Phase 3 BOSTON study, the clinical trial of selinexor in combination with Velcade (bortezomib) and dexamethasone in patients with multiple myeloma, is progression free survival. We are in the early stages of collecting clinical data in humans relating to the impact of selinexor on overall survival and comparative clinical data between selinexor and supportive care. If selinexor does not demonstrate an overall survival benefit, it will likely not be approved. In some instances, the FDA and other regulatory bodies have accepted overall response rate as a

surrogate for a clinical benefit, and have granted regulatory approvals based on this or other surrogate endpoints. Overall response rate is defined as the portion of patients with tumor size reduction of a predefined amount for a minimum time period. For some types of cancer, we may use overall response rate as a primary endpoint, as we are doing in our SADAL study and our STORM study. These clinical trials will not be randomized against control arms and the primary endpoints of these trials are overall response rate. If selinexor does not demonstrate sufficient overall response rates in these indications, or any other indication for which a clinical trial has overall response rate as a primary endpoint, or if the FDA or non-U.S. regulatory authorities do not deem overall response rate a sufficient endpoint, it will likely not be approved for that indication.

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We are early in our development efforts with a limited number of drug candidates in human clinical development. If we are unable to successfully develop and commercialize our drug candidates or experience significant delays in doing so, our business will be materially harmed.

We are early in our development efforts and have four drug candidates, selinexor, verdinexor, KPT-8602 and KPT-9274, in clinical development for treatment of human diseases. The success of these and any of our other drug candidates will depend on several factors, including the following:

- successful completion of preclinical studies;
- acceptance by the FDA of investigational new drug applications, or INDs, for our drug candidates prior to commencing clinical studies;
- successful enrollment in, and completion of, clinical trials, including demonstration of a favorable risk-benefit ratio;
- 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 drug candidates;
- establishing sales, marketing, manufacturing and distribution capabilities to commercialize any drugs for which we may obtain marketing approval;
- launching commercial sales of the drugs, if and when approved, whether alone or in collaboration with others;
- acceptance of the drugs, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies;
- obtaining and maintaining coverage and adequate reimbursement by third-party payors, including government payors, for any approved drugs;

maintaining an acceptable safety profile of the drugs following approval;

enforcing and defending intellectual property rights and claims; and

maintaining and growing an organization of scientists and business people, and possibly collaborators, who can develop and commercialize our drug candidates.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our drug candidates, which would materially harm our business.

We may seek approval from the FDA or comparable non-U.S. regulatory authorities to use accelerated development pathways for our product candidates, including for selinexor in multiple myeloma. If we are not able to use such pathways, we may be required to conduct additional clinical trials beyond those that we contemplate and that would increase the expense of obtaining, and delay the receipt of, necessary marketing approvals, if we receive them at all. In addition, even if we are able to use an accelerated approval pathway, it may not lead to expedited approval of our product candidates, or approval at all.

Under the Federal Food, Drug and Cosmetic Act, or FDCA, and implementing regulations, the FDA may grant accelerated approval to a product candidate to treat a serious or life-threatening condition that provides meaningful therapeutic benefit over available therapies, upon a determination that the product has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. The FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality. For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit measurement of a therapeutic effect that is considered reasonably likely to predict the clinical benefit of a drug. The accelerated approval pathway may be used in cases in which the advantage of a new drug over available therapy may not be a direct therapeutic advantage, but is a clinically important improvement from a patient and public health perspective.

Prior to seeking such accelerated approval, we will seek feedback from the FDA and otherwise evaluate our ability to seek and receive such accelerated approval. Assuming positive results from our expanded STORM study and remaining unmet medical need, we intend to use the data from the expanded study to support a request that the FDA consider granting accelerated approval for selinexor in penta-refractory multiple myeloma. The FDA has reiterated to us in its feedback that accelerated approval is available

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only for drugs that provide a meaningful therapeutic benefit over existing treatments at the time of consideration of the application for accelerated approval. Although we are not aware of any experimental therapies currently being evaluated in patients with penta-refractory multiple myeloma or any experimental or approved therapies showing activity in these patients, such therapies may exist at the time the FDA acts on any request we may make for accelerated approval, which could cause the FDA to deny our request. In addition, the FDA has indicated that additional therapies may receive full approval in multiple myeloma prior to the submission of an NDA by us, which could mean that, at the time the FDA takes action on our accelerated approval submission, treatment of the penta-refractory group is no longer considered an unmet medical need or a patient population that has exhausted available therapies. The FDA has recommended that we plan for regular approval based on a randomized trial for the evaluation of safety and efficacy of selinexor for the treatment of multiple myeloma, and has previously indicated to us its preference for studies that isolate the effects of individual drugs. Although we believe that the STORM study design and the expansion in the penta-refractory patient group present an opportunity for us to request that the FDA grant accelerated approval if data from our Phase 2b STORM study support such an application, there can be no assurance that the FDA will grant such approval, whether on an accelerated basis, or at all.

There can also be no assurance that the FDA will agree with our surrogate endpoints or intermediate clinical endpoints, or that we will decide to pursue or submit a New Drug Application, or NDA, for accelerated approval or any other form of expedited development, review or approval. Similarly, there can be no assurance that, after feedback from FDA, we will continue to pursue or apply for accelerated approval or any other form of expedited development, review or approval, even if we initially decide to do so. Furthermore, if we decide to submit an application for accelerated approval or under another expedited regulatory designation, there can be no assurance that such submission or application will be accepted or that any expedited development, review or approval will be granted on a timely basis, or at all.

Moreover, for drugs granted accelerated approval, the FDA typically requires post-marketing confirmatory trials to evaluate the anticipated effect on irreversible morbidity or mortality or other clinical benefit. These confirmatory trials must be completed with due diligence. The FDA may withdraw approval of a product candidate approved under the accelerated approval pathway if, for example, the trial required to verify the predicted clinical benefit of our product candidate fails to verify such benefit or does not demonstrate sufficient clinical benefit to justify the risks associated with the drug. The FDA may also withdraw approval if other evidence demonstrates that our product candidate is not shown to be safe or effective under the conditions of use, we fail to conduct any required post approval trial of our product candidate with due diligence or we disseminate false or misleading promotional materials relating to our product candidate. Similar risks to those described above are also applicable to any application that we may submit to the European Medicines Agency, or EMA, to support conditional approval of selinexor to treat penta-refractory multiple myeloma. A failure to obtain accelerated approval or any other form of expedited development, review or approval for our product candidates, or withdrawal of a product candidate, would result in a longer time period for commercialization of such product candidate, could increase the cost of development of such product candidate and could harm our competitive position in the marketplace.

Our approach to the discovery and development of drug candidates that target Exportin 1, or XPO1, is unproven, and we do not know whether we will be able to develop any drugs of commercial value. If selinexor is unsuccessful in proving that drug candidates targeting XPO1 have commercial value or experiences significant delays in doing so, our business may be materially harmed.

Our SINE compounds inhibit the nuclear export protein XPO1. We believe that no currently approved cancer treatments are selectively targeting the restoration and increase in the levels of multiple tumor suppressor proteins in the nucleus. Despite promising results to date in preclinical and early clinical studies of selinexor that we have conducted and in Phase 1 and Phase 2 clinical trials of selinexor conducted by us or our academic collaborators, we

may not succeed in demonstrating safety and efficacy of SINE compounds in our current and future human clinical trials. Any drug candidates that we develop may not effectively prevent the exportation of tumor suppressor and/or growth regulatory proteins from the nucleus in humans with a particular form of cancer. If selinexor is unsuccessful in proving that drug candidates targeting the regulation of intracellular transport of XPO1 have commercial value or experiences significant delays in doing so, our business may be materially harmed and we may not be able to generate sufficient revenues to continue our business.

We may not be successful in our efforts to identify or discover additional potential drug candidates.

Part of our strategy involves identifying and developing drug candidates to build a pipeline of novel drug candidates. Our drug discovery efforts may not be successful in identifying compounds that are useful in treating cancer or other diseases. Our research programs may initially show promise in identifying potential drug candidates, yet fail to yield drug candidates for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential drug candidates;
- potential drug candidates may, on further study, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be drugs that will receive marketing approval and/or achieve market acceptance; or

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potential drug candidates may not be effective in treating their targeted diseases.

Research programs to identify new drug candidates require substantial technical, financial and human resources. We may choose to focus our efforts and resources on a potential drug candidate that ultimately proves to be unsuccessful.

If we are unable to identify suitable compounds for preclinical and clinical development, we will not be able to obtain revenues from sale of drugs in future periods, which likely would result in significant harm to our financial position and adversely impact our stock price.

Clinical drug development is a lengthy and expensive process, with an uncertain outcome. If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Before obtaining marketing approval from regulatory authorities for the sale of our drug candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. For example, the results of our Phase 1 and Phase 2 clinical trials of selinexor to date are based on unaudited data provided by our clinical trial investigators. An audit of this data may change the conclusions drawn from this unaudited data provided by our clinical trial investigators indicating less promising results than we currently anticipate. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their drug candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drugs.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our drug candidates, including:

- regulatory authorities or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- feedback from regulatory authorities that requires us to modify the design of our clinical trials;
- we may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites or contract research organizations;
- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulatory authorities may require us, to conduct additional clinical trials, suspend ongoing clinical trials or abandon drug development programs;

the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;

our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

we or our investigators might have to suspend or terminate clinical trials of our drug candidates for various reasons, including non-compliance with regulatory requirements, a finding that our drug candidates have undesirable side effects or other unexpected characteristics, or a finding that the participants are being exposed to unacceptable health risks;

the cost of clinical trials of our drug candidates may be greater than we anticipate;

the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate;

regulators may revise the requirements for approving our drug candidates, or such requirements may not be as we anticipate; and

any future collaborators that conduct clinical trials may face any of the above issues, and may conduct clinical trials in ways they view as advantageous to them but that are suboptimal for us.

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

- be delayed in obtaining marketing approval for our drug candidates;
- not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the drug removed from the market after obtaining marketing approval.

Our drug development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our drug candidates, allow our competitors to bring drugs to market before we do or impair our ability to successfully commercialize our drug candidates, which would harm our business and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, or we are otherwise delayed in our ability to conduct clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside of the United States. In addition, some of our competitors may have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors drug candidates.

Patient enrollment is affected by other factors, including:

- severity of the disease under investigation;

availability and efficacy of approved drugs for the disease under investigation;

patient eligibility criteria for the study in question;

competing drugs in clinical development;

perceived risks and benefits of the drug candidate under study;

restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;

efforts to facilitate timely enrollment in clinical trials;

patient referral practices of physicians;

the ability to monitor patients adequately during and after treatment; and

proximity and availability of clinical trial sites for prospective patients.

In addition, patient enrollment may be affected by future regulatory actions, such as Form 483 observations or the partial clinical hold we were subject to previously. In February 2017, following the conclusion of a joint inspection conducted by the FDA and Danish Medicines Agency at our corporate headquarters, the FDA issued a Form 483 noting certain deficiencies in procedures and documentation that were identified in our selinexor development program. We implemented corrective actions, preventative actions and other initiatives directed at resolving the deficiencies identified in the Form 483 observations and provided the FDA with our responses to the Form 483 observations in February 2017.

In addition, in March 2017, the FDA notified us that it had placed the clinical trials under our IND for selinexor on partial clinical hold, which is an order by the FDA to delay or suspend part of a sponsor s clinical work requested under its IND as well as investigator-sponsored trials. The partial clinical hold was due to incomplete information in the existing version of the investigator s brochure, including an incomplete list of serious adverse events associated with selinexor, and not as a result of any new information regarding the safety profile of selinexor. The partial clinical holds on the clinical trials of selinexor were lifted by the FDA Division of

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Hematology Products (effective March 30, 2017), Division of Oncology Products 1 (effective April 5, 2017) and Division of Oncology Products 2 (effective March 31, 2017). However, if in the future we are delayed in addressing, or unable to address, any concerns of the FDA or other regulators, we could be delayed or prevented from enrolling patients in our clinical trials.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our drug candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

If serious adverse or unacceptable side effects are identified during the development of our drug candidates or we observe limited efficacy of our drug candidates, we may need to abandon or limit the development of one or more of our drug candidates.

Four of our drug candidates are in clinical development for treatment of human diseases and our other drug candidates for human diseases are in preclinical development. Their risk of failure is high. It is impossible to predict when or if any of our drug candidates will prove effective or safe in humans or will receive marketing approval. If our drug candidates are associated with undesirable side effects or have characteristics that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. For example, we have modified our informed consent form and advised patients already enrolled in our clinical trials of the potential for worsening of pre-existing cataracts as a result of treatment with selinexor. Also, even though selinexor has generally been well-tolerated by patients in our Phase 1 and Phase 2 clinical trials to date, in some cases there were adverse events, some of which were serious. The most common drug-related adverse events, or AEs, were gastrointestinal, such as nausea, anorexia, diarrhea and vomiting, and fatigue. These side effects were generally mild or moderate in severity. The most common AEs that were Grade 3 or Grade 4, meaning they were more than mild or moderate in severity, were thrombocytopenia, or low count of platelets in the blood, and neutropenia, or low neutrophil counts. A small percentage of patients have withdrawn from our clinical trials as a result of AEs. A small percentage of patients across our clinical trials have experienced serious adverse events, or SAEs, deemed by us and the clinical investigator to be related to selinexor. SAEs generally refer to AEs that result in death, are life threatening, require hospitalization or prolonging of hospitalization, or cause a significant and permanent disruption of normal life functions, congenital anomalies or birth defects, or require intervention to prevent such an outcome.

As a result of these AEs or further safety or toxicity issues that we may experience in our clinical trials in the future, we may not receive approval to market any drug candidates, which could prevent us from ever generating revenue from the sale of drugs or achieving profitability. Results of our trials could reveal an unacceptably high severity and prevalence of side effects. In such an event, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our drug candidates for any or all targeted indications. Many compounds that initially showed promise in early-stage trials for treating cancer or other diseases have later been found to cause side effects that prevented further development of the compound.

The FDA or non-U.S. regulatory authorities may disagree with our and/or our clinical trial investigators interpretation of data from clinical trials in determining if serious adverse or unacceptable side effects are drug-related.

We, and our clinical trial investigators, currently determine if serious adverse or unacceptable side effects are drug-related. The FDA or non-U.S. regulatory authorities may disagree with our or our clinical trial investigators

interpretation of data from clinical trials and the conclusion by us or our clinical trial investigators that a serious adverse effect or unacceptable side effect was not drug-related. The FDA or non-U.S. regulatory authorities may require more information, including additional preclinical or clinical data to support approval, which may cause us to incur additional expenses, delay or prevent the approval of one of our drug candidates, and/or delay or cause us to change our commercialization plans, or we may decide to abandon the development or commercialization of the drug candidate altogether.

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

Because we have limited financial and managerial resources, we focus on research programs and drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. Our spending on current and future research and development programs and drug candidates for specific indications may not yield any commercially-viable drugs. If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate.

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Even if any of our drug candidates receives marketing approval, such drug may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

If any of our drug candidates receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well-established in the medical community, and doctors may continue to rely on these treatments. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenues from sales of drugs and we may not become profitable. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments;
- the ability to offer our drugs for sale at competitive prices;
- convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support;
- sufficient third-party coverage or reimbursement;
- the prevalence and severity of any side effects;
- any restrictions on the use of our drugs together with other medications; and
- inability of certain types of patients to take our drugs.

If, in the future, we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our drug candidates, we may not be successful in commercializing our drug candidates if and when they are approved.

We do not have a sales or marketing infrastructure and have no experience in the sale or marketing of pharmaceutical drugs. To date, we have not entered into a strategic collaboration that provides us with access to a collaborator s resources in selling or marketing drugs. To achieve commercial success for any approved drug for which sales and marketing is not the responsibility of any strategic collaborator that we may have in the future, we must either develop a sales and marketing organization or outsource these functions to other third parties. In the future, we may choose to

build a sales and marketing infrastructure to market or co-promote some of our drug candidates if and when they are approved, or enter into collaborations with respect to the sale and marketing of our drug candidates. We currently intend to establish a corporate infrastructure to enable us to market selinexor in North America and Western Europe.

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

Factors that may inhibit our efforts to commercialize our drugs on our own include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future drugs;
- the lack of complementary drugs to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive drug lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organization; and
- inability to obtain sufficient coverage and reimbursement from third-party payors and governmental agencies.

If we enter into arrangements with third parties to perform sales and marketing services, our revenues from the sale of drug or the profitability of these revenues to us are likely to be lower than if we were to market and sell any drugs that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our drug candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our drugs effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our drug candidates.

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

The discovery, development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and will face competition with respect to any drug candidates that we may seek to discover and develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of major pharmaceutical, specialty pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer and the other disease indications for which we are developing our drug candidates,