
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2021

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: 001-38796

GOSSAMER BIO, INC.

(Exact name of Registrant as specified in its charter).

Delaware
(State or other jurisdiction of
incorporation or organization)

47-5461709
(I.R.S. Employer
Identification No.)

3013 Science Park Road San Diego California
(Address of principal executive offices)

92121
(Zip Code)

Registrant's telephone number, including area code: (858) 684-1300

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of November 4, 2021, the registrant had 76,463,531 shares of common stock (\$0.0001 par value) outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

GOSSAMER BIO, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except share and par value amounts)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 213,474	\$ 486,055
Marketable securities	152,546	26,573
Restricted cash	64	565
Prepaid expenses and other current assets	7,908	9,129
Total current assets	373,992	522,322
Property and equipment, net	5,621	5,534
Operating lease right-of-use assets	6,311	10,550
Other assets	1,114	1,027
Total assets	\$ 387,038	\$ 539,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	1,185	7,508
Accrued research and development expenses	13,806	10,431
Accrued expenses and other current liabilities	20,905	20,711
Total current liabilities	35,896	38,650
Long-term convertible senior notes	148,378	143,642
Long-term debt	28,991	28,744
Operating lease liabilities - long-term	3,964	7,713
Total liabilities	217,229	218,749
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value; 70,000,000 shares authorized; no shares issued or outstanding as of September 30, 2021 and December 31, 2020	—	—
Common stock, \$0.0001 par value; 700,000,000 shares authorized as of September 30, 2021 and December 31, 2020; 76,225,279 shares issued and 75,300,074 shares outstanding as of September 30, 2021, and 75,524,254 shares issued and 73,874,904 shares outstanding as of December 31, 2020	8	8
Additional paid-in capital	924,914	897,607
Accumulated deficit	(755,250)	(577,530)
Accumulated other comprehensive income	137	599
Total stockholders' equity	169,809	320,684
Total liabilities and stockholders' equity	\$ 387,038	\$ 539,433

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

GOSSAMER BIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating expenses:				
Research and development	\$ 43,190	\$ 41,846	\$ 129,335	\$ 121,944
In process research and development	15	275	60	18,080
General and administrative	12,459	11,448	35,068	33,851
Total operating expenses	55,664	53,569	164,463	173,875
Loss from operations	(55,664)	(53,569)	(164,463)	(173,875)
Other income (expense), net				
Interest income	191	580	525	3,076
Interest expense	(4,889)	(4,715)	(14,503)	(7,913)
Other income (loss)	115	(108)	721	(44)
Total other expense, net	(4,583)	(4,243)	(13,257)	(4,881)
Net loss	\$ (60,247)	\$ (57,812)	\$ (177,720)	\$ (178,756)
Other comprehensive income (loss):				
Foreign currency translation, net of tax	(64)	68	(274)	59
Unrealized gain (loss) on marketable securities, net of tax	(73)	(293)	(188)	25
Other comprehensive income (loss)	(137)	(225)	(462)	84
Comprehensive loss	(60,384)	(58,037)	(178,182)	(178,672)
Net loss per share, basic and diluted	\$ (0.80)	\$ (0.80)	\$ (2.38)	\$ (2.67)
Weighted average common shares outstanding, basic and diluted	75,001,510	72,245,897	74,592,632	66,931,512

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

GOSSAMER BIO, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share amounts)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2020	73,874,904	\$ 8	\$ 897,607	\$ (577,530)	\$ 599	\$ 320,684
Vesting of restricted stock	238,962	—	—	—	—	—
Exercise of stock options	5,721	—	15	—	—	15
Stock-based compensation	—	—	8,708	—	—	8,708
Issuance of common stock pursuant to Employee Stock Purchase Plan	95,004	—	759	—	—	759
Issuance of common stock for restricted stock units vested	278,559	—	—	—	—	—
Net loss	—	—	—	(57,641)	—	(57,641)
Other comprehensive loss	—	—	—	—	(441)	(441)
Balance as of March 31, 2021	<u>74,493,150</u>	<u>\$ 8</u>	<u>\$ 907,089</u>	<u>\$ (635,171)</u>	<u>\$ 158</u>	<u>\$ 272,084</u>
Vesting of restricted stock	231,710	—	—	—	—	—
Exercise of stock options	103,922	—	271	—	—	271
Stock-based compensation	—	—	8,054	—	—	8,054
Issuance of common stock for restricted stock units vested	6,170	—	—	—	—	—
Net loss	—	—	—	(59,832)	—	(59,832)
Other comprehensive income	—	—	—	—	116	116
Balance as of June 30, 2021	<u>74,834,952</u>	<u>\$ 8</u>	<u>\$ 915,414</u>	<u>\$ (695,003)</u>	<u>\$ 274</u>	<u>\$ 220,693</u>
Vesting of restricted stock	228,084	—	—	—	—	—
Exercise of stock options	171,252	—	1,357	—	—	1,357
Stock-based compensation	—	—	7,587	—	—	7,587
Issuance of common stock pursuant to Employee Stock Purchase Plan	65,786	—	556	—	—	556
Net loss	—	—	—	(60,247)	—	(60,247)
Other comprehensive income	—	—	—	—	(137)	(137)
Balance as of September 30, 2021	<u>75,300,074</u>	<u>\$ 8</u>	<u>\$ 924,914</u>	<u>\$ (755,250)</u>	<u>\$ 137</u>	<u>\$ 169,809</u>

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2019	61,635,477	\$ 7	\$ 686,390	\$ (334,170)	\$ 258	\$ 352,485
Vesting of restricted stock	404,637	—	—	—	—	—
Exercise of stock options	4,309	—	15	—	—	15
Stock-based compensation	—	—	8,244	—	—	8,244
Issuance of common stock pursuant to Employee Stock Purchase Plan	49,889	—	556	—	—	556
Net loss	—	—	—	(54,074)	—	(54,074)
Other comprehensive loss	—	—	—	—	(763)	(763)
Balance as of March 31, 2020	62,094,312	\$ 7	\$ 695,205	\$ (388,244)	\$ (505)	\$ 306,463
Issuance of common stock in connection with public offering, net of underwriting discounts, commissions, and offering costs	9,433,963	1	117,093	—	—	117,094
Equity component of convertible note issuance	—	—	53,635	—	—	53,635
Debt issuance costs attributable to convertible feature	—	—	(109)	—	—	(109)
Vesting of restricted stock	404,637	—	—	—	—	—
Exercise of stock options	39,698	—	139	—	—	139
Stock-based compensation	—	—	8,900	—	—	8,900
Net loss	—	—	—	(66,870)	—	(66,870)
Other comprehensive income	—	—	—	—	1,072	1,072
Balance as of June 30, 2020	71,972,610	\$ 8	\$ 874,863	\$ (455,114)	\$ 567	\$ 420,324
Vesting of restricted stock	404,637	\$ —	\$ —	\$ —	\$ —	\$ —
Exercise of stock options	32,268	—	131	—	—	131
Stock-based compensation	—	—	8,923	—	—	8,923
Issuance of common stock pursuant to Employee Stock Purchase Plan	63,397	—	744	—	—	744
Other additional paid-in capital	—	—	16	—	—	16
Net loss	—	—	—	(57,812)	—	(57,812)
Other comprehensive loss	—	—	—	—	(225)	(225)
Balance as of September 30, 2020	72,472,912	\$ 8	\$ 884,677	\$ (512,926)	\$ 342	\$ 372,101

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

GOSSAMER BIO, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine months ended September 30,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (177,720)	\$ (178,756)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,292	1,044
Stock-based compensation expense	24,349	26,067
In process research and development expenses	60	18,080
Amortization of operating lease right-of-use assets	2,593	2,015
Amortization of debt discount and issuance costs	4,983	2,294
Amortization of premium on investments, net of accretion of discounts	186	24
Net realized gain on investments	—	(256)
Loss on disposal of property and equipment	84	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1,221	(3,340)
Other assets	(87)	698
Operating lease liabilities	(2,706)	(1,294)
Accounts payable	(6,808)	10
Accrued expenses	4,715	2,768
Accrued research and development expenses	3,375	(7,019)
Accrued compensation and benefits	(3,918)	(1,959)
Net cash used in operating activities	(148,381)	(139,624)
Cash flows from investing activities		
Research and development asset acquisitions, net of cash acquired	(60)	(18,080)
Purchase of marketable securities	(143,897)	(108,969)
Maturities of marketable securities	17,550	199,029
Sales of marketable securities	—	83,515
Purchase of property and equipment	(1,463)	(1,253)
Net cash provided by (used in) investing activities	(127,870)	154,242
Cash flows from financing activities		
Proceeds from issuance of common stock in a public offering, net	—	117,110
Proceeds from issuance of convertible debt, net	—	193,596
Purchase of shares pursuant to Employee Stock Purchase Plan	1,315	1,300
Proceeds from the exercise of stock options	1,643	285
Net cash provided by financing activities	2,958	312,291
Effect of exchange rate changes on cash, cash equivalents and restricted cash	211	(42)
Net increase (decrease) in cash, cash equivalents and restricted cash	(273,082)	326,867
Cash, cash equivalents and restricted cash, at the beginning of the period	486,620	135,089
Cash, cash equivalents and restricted cash, at the end of the period	\$ 213,538	\$ 461,956
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,055	\$ 1,911
Supplemental disclosure of noncash investing and financing activities:		
Right-of-use assets obtained in exchange for lease liabilities	\$ —	\$ 3,106
Derecognition ROU lease assets obtained in exchange for operating lease liabilities	\$ 1,650	\$ —
Change in unrealized gain (loss) on marketable securities, net of tax	\$ 188	\$ 25
Unpaid property and equipment	\$ —	\$ 83

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

GOSSAMER BIO, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of the Business

Gossamer Bio, Inc. (including its subsidiaries, referred to as “we,” “us,” “our,” or the “Company”) is a clinical-stage biopharmaceutical company focused on discovering, acquiring, developing and commercializing therapeutics in the disease areas of immunology, inflammation and oncology. The Company was incorporated in the state of Delaware on October 25, 2015 (originally as FSG Bio, Inc.) and is based in San Diego, California.

The condensed consolidated financial statements include the accounts of Gossamer Bio, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions among the consolidated entity have been eliminated in consolidation.

Liquidity and Capital Resources

The Company has incurred significant operating losses since its inception. As of September 30, 2021, the Company had an accumulated deficit of \$755.3 million. From the Company’s inception through September 30, 2021, the Company has funded its operations primarily through equity and debt financings. The Company raised \$942.0 million from October 2017 through September 30, 2021 through Series A and Series B convertible preferred stock financings, a convertible note financing, its initial public offering, or IPO, its Credit Facility (as defined in Note 5 below), and concurrent underwritten public offerings of its 5.00% convertible senior notes due 2027 (the “2027 Notes”) and common stock in May 2020. See Note 5 for additional information regarding the Credit Facility and the 2027 Notes. In addition, the Company received \$12.8 million in cash in connection with the January 2018 acquisition of AA Biopharma Inc.

The Company expects to continue to incur significant operating losses for the foreseeable future and may never become profitable. As a result, the Company will need to raise capital through equity offerings, debt financings and other capital sources, including potential collaborations, licenses and other similar arrangements. Management believes that it has sufficient working capital on hand to fund operations through at least the next twelve months from the date these condensed consolidated financial statements were available to be issued. There can be no assurance that the Company will be successful in acquiring additional funding, that the Company’s projections of its future working capital needs will prove accurate, or that any additional funding would be sufficient to continue operations in future years.

COVID-19

The COVID-19 pandemic has caused significant business disruption around the globe. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the pandemic worldwide and the impact on the Company’s clinical trials, employees and vendors. At this point, the degree to which COVID-19 may continue to impact the Company’s financial condition or results of operations remains uncertain. A prolonged pandemic could have a material and adverse impact on financial results and business operations of the Company, including the timing and ability of the Company to complete certain clinical trials and other efforts required to advance the development of its product candidates and raise additional capital. For example, certain sites temporarily closed enrollment in the Company’s Phase 2 clinical trial in pulmonary arterial hypertension (“PAH”) in 2020 as a result of the COVID-19 pandemic and related staffing shortages at sites and key vendors. In addition, due to the challenges of enrolling patients worldwide posed by the COVID-19 pandemic, the Company has experienced and may continue to experience delays in enrollment of patients in its Phase 2 clinical trial of seralutinib, also known as GB002, in PAH, as well as delays in reporting data results from its ongoing trials.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions of the Securities and Exchange Commission (“SEC”) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC on February 26, 2021. The results of operations for the interim period shown in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2020, has been derived from the audited financial statements at that date.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of expenses during the reporting period. The most significant estimates in the Company’s condensed consolidated financial statements relate to the allocation of the 2027 Notes into liability and equity components and accrued research and development expenses. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06, Debt: Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU 2020-06”), which simplifies the accounting for convertible instruments and contracts in an entity’s own equity. This guidance is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2020. The Company is currently assessing the impact this standard will have on its consolidated financial statements or related financial statement disclosures.

Net Loss Per Share

Basic net loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. The Company uses the if-converted method for assumed conversion of the 2027 Notes to compute the weighted average shares of common stock outstanding for diluted net loss per share. Diluted net loss per share excludes the potential impact of the Company’s common stock options and unvested shares of restricted stock and the potential shares issuable upon conversion of the 2027 Notes because their effect would be anti-dilutive due to the Company’s net loss. Since the Company had a net loss in each of the periods presented, basic and diluted net loss per common share are the same.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share as it would be anti-dilutive:

	As of September 30,	
	2021	2020
2027 Notes	12,321,900	12,321,900
Shares issuable upon exercise of stock options	9,540,332	10,266,895
Non-vested shares under restricted stock grants	3,020,509	4,530,998

3. Balance Sheet Accounts and Supplemental Disclosures

Property and Equipment

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

	Estimated Useful Life (in years)	September 30, 2021	December 31, 2020
Office equipment	3-7	\$ 1,097	\$ 1,153
Computer equipment	5	123	123
Software	3	130	116
Lab equipment	2-5	5,605	4,210
Leasehold improvements	6-7	2,562	2,540
Construction in process	N/A	—	15
Total property and equipment		9,517	8,157
Less: accumulated depreciation		3,896	2,623
Property and equipment, net		\$ 5,621	\$ 5,534

Accrued Expenses and Other Current Liabilities

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

	As of	
	September 30, 2021	December 31, 2020
Accrued compensation	\$ 9,591	\$ 12,194
Operating lease liabilities, current	3,030	3,633
Accrued professional service fees	1,475	2,823
Accrued interest, current	3,558	1,094
Accrued other	806	742
Accrued litigation liability, current	2,400	—
Accrued in process research and development	45	225
Total accrued expenses	\$ 20,905	\$ 20,711

4. Fair Value Measurements and Available for Sale Investments

Fair Value Measurements

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company classifies its cash equivalents and available-for-sale investments within Level 1 or Level 2. The fair value of the Company's investment grade corporate debt securities and commercial paper is determined using proprietary valuation models and analytical tools, which utilize market pricing or prices for similar instruments that are both objective and publicly

available, such as matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the hierarchy for assets measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 (in thousands):

	Fair Value Measurements at End of Period Using:			
	Total Fair Value	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2021				
Money market funds	\$ 154,055	\$ 154,055	\$ —	\$ —
Commercial paper	113,896	—	113,896	—
Corporate debt securities	38,650	—	38,650	—
As of December 31, 2020				
Money market funds	\$ 411,104	\$ 411,104	\$ —	\$ —
U.S. Treasury and agency securities	18,280	18,280	—	—
Corporate debt securities	26,573	—	26,573	—

The Company did not reclassify any investments between levels in the fair value hierarchy during the periods presented.

Fair Value of Other Financial Instruments

As of September 30, 2021 and December 31, 2020, the carrying amounts of the Company's financial instruments, which include cash, interest receivable, accounts payable and accrued expenses, approximate fair values because of their short maturities.

Interest receivable as of September 30, 2021 and December 31, 2020, was \$0.2 million and \$0.2 million, respectively, and is recorded as a component of prepaid expenses and other current assets on the condensed consolidated balance sheets.

The Company believes that its Credit Facility bears interest at a rate that approximates prevailing market rates for instruments with similar characteristics and, accordingly, the carrying value of the Credit Facility approximates fair value. The Company estimates the fair value of long-term debt utilizing an income approach. The Company uses a present value calculation to discount principal and interest payments and the final maturity payment on these liabilities using a discounted cash flow model based on observable inputs. The debt instrument is then discounted based on what the current market rates would be as of the reporting date. Based on the assumptions used to value these liabilities at fair value, the debt instrument is categorized as Level 2 in the fair value hierarchy.

As of September 30, 2021, the fair value of the Company's 2027 Notes was \$213.0 million. The fair value was determined on the basis of market prices observable for similar instruments and is considered Level 2 in the fair value hierarchy (see Note 5).

Available for Sale Investments

The Company invests its excess cash in U.S. Treasury and agency securities and debt instruments of corporations and commercial obligations, which are classified as available-for-sale investments. These investments are carried at fair value and are included in the tables below. The Company evaluates securities with unrealized losses to determine whether such losses, if any, are due to credit-related factors. Realized gains and losses are calculated using the specific identification method and recorded as interest income or expense. The Company does not generally intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity.

The aggregate market value, cost basis, and gross unrealized gains and losses of available-for-sale investments by security type, classified in marketable securities and long-term investments as of September 30, 2021 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Marketable securities				
Commercial paper	\$ 113,896	\$ —	\$ —	\$ 113,896
Corporate debt securities	38,661	16	(27)	38,650
Total marketable securities	\$ 152,557	\$ 16	\$ (27)	\$ 152,546

At each reporting date, the Company performs an evaluation of impairment to determine if any unrealized losses are due to credit-related factors. The Company records an allowance for credit losses when unrealized losses are due to credit-related factors. Factors considered when evaluating available-for-sale investments for impairment include the severity of the impairment, changes in underlying credit ratings, the financial condition of the issuer, the probability that the scheduled cash payments will continue to be made and the Company's intent and ability to hold the investment until recovery of the amortized cost basis. The Company intends and has the ability to hold its investments in unrealized loss positions until their amortized cost basis has been recovered. As of September 30, 2021, there were no material declines in the market value of the Company's available-for-sale investments due to credit-related factors.

Contractual maturities of available-for-sale debt securities, as of September 30, 2021, were as follows (in thousands):

	Estimated Fair Value
Due within one year	\$ 144,888
One to two years	7,658
Total	\$ 152,546

The Company has the ability, if necessary, to liquidate any of its cash equivalents and marketable securities to meet its liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase are classified as current assets on the accompanying condensed consolidated balance sheets.

5. Indebtedness

Credit Facility

On May 2, 2019, the Company entered into a credit, guaranty and security agreement, as amended on September 18, 2019 and July 2, 2020 (the "Credit Facility"), with MidCap Financial Trust ("MidCap"), as agent and lender, and the additional lenders party thereto from time to time (together with MidCap, the "Lenders"), pursuant to which the Lenders, including affiliates of MidCap and Silicon Valley Bank, agreed to make term loans available to the Company for working capital and general business purposes, in a principal amount of up to \$150.0 million in term loan commitments, including a \$30.0 million term loan that was funded at the closing date, with the ability to access the remaining \$120.0 million in two additional tranches (each \$60.0 million), subject to specified availability periods, the achievement of certain clinical development milestones, minimum cash requirements and other customary conditions. The Company, GB001, Inc., GB002, Inc., and GB004, Inc., each wholly-owned subsidiaries of the Company, are designated as co-borrowers to the Credit Facility, whereas GB003, Inc., GB005, Inc., GB006, Inc., GB007, Inc., GB008, Inc. and Gossamer Bio Services, Inc., each wholly-owned subsidiaries of the Company, are designated as guarantors. The remaining two tranches are available no earlier than the satisfaction of the applicable funding conditions, including the applicable clinical development milestones, and no later than December 31, 2022. As of September 30, 2021, no other tranches under the Credit Facility were available to be drawn. The Credit Facility is secured by substantially all of the Company's and its domestic subsidiaries' personal property, including intellectual property.

Each term loan under the Credit Facility bears interest at an annual rate equal to the sum of (i) one-month LIBOR (customarily defined, with a change to prime rate if LIBOR funding becomes unlawful or impractical) plus (ii) 7.00%, subject to a LIBOR floor of 2.00%. The borrower is required to make interest-only payments on the term loan for all payment dates prior to July 1, 2022. The term loans under the Credit Facility will begin amortizing on July 1, 2022, with equal monthly payments of principal plus interest being made by the Company to the Lenders in consecutive monthly installments following such interest-only period until the Credit Facility matures on January 1, 2025. Upon final repayment of the term loans, the borrower must pay an exit fee of 1.75% of the amount borrowed under the Credit Facility, less any partial exit fees previously

paid. Upon partial prepayment of a portion of the term loans, the borrower must pay a partial exit fee of 1.75% of the principal being prepaid. At the borrower's option, the borrower may prepay the outstanding principal balance of the term loan in whole or in part, subject to a prepayment fee of 3.00% of any amount prepaid if the prepayment occurs through and including the first anniversary of the second amendment effective date, 2.00% of the amount prepaid if the prepayment occurs after the first anniversary of the second amendment effective date through and including the second anniversary of the second amendment effective date, and 1.00% of any amount prepaid after the second anniversary of the second amendment effective date and prior to January 1, 2025.

The Credit Facility includes affirmative and negative covenants applicable to the Company and certain of its subsidiaries. The affirmative covenants include, among others, covenants requiring such entities to maintain their legal existence and governmental approvals, deliver certain financial reports, maintain insurance coverage, maintain property, pay taxes, satisfy certain requirements regarding accounts and comply with laws and regulations. The negative covenants include, among others, restrictions on such entities from transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments, creating liens, amending material agreements and organizational documents, selling assets and suffering a change in control, in each case subject to certain exceptions. The Company and certain of its subsidiaries are also subject to an ongoing minimum cash financial covenant in which they must maintain unrestricted cash in an amount not less than 25% of the outstanding principal amount of the term loans. As of September 30, 2021, the Company was in compliance with these covenants.

The Credit Facility also includes events of default, the occurrence and continuation of which could cause interest to be charged at the rate that is otherwise applicable plus 3.00% and would provide MidCap, as agent, with the right to exercise remedies against the Company and/or certain of its subsidiaries, and the collateral securing the Credit Facility, including foreclosure against the properties securing the credit facilities, including cash. These events of default include, among other things, failure to pay any amounts due under the Credit Facility, a breach of covenants under the Credit Facility, insolvency or the occurrence of insolvency events, the occurrence of a change in control, the occurrence of certain U.S. Food and Drug Administration ("FDA") and regulatory events, failure to remain registered with the SEC and listed for trading on Nasdaq, the occurrence of a material adverse change, the occurrence of a default under a material agreement reasonably expected to result in a material adverse change, the occurrence of certain defaults under certain other indebtedness in an amount greater than \$2.5 million and the occurrence of certain defaults under subordinated indebtedness and convertible indebtedness.

Debt as of September 30, 2021 consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
Term loan	\$ 30,000	\$ 30,000
Debt discount and issuance costs	(1,009)	(1,256)
Long-term debt	<u>\$ 28,991</u>	<u>\$ 28,744</u>

The scheduled future minimum principal payments are as follows (in thousands)

	September 30, 2021
2021 (remaining 3 months)	\$ —
2022	5,806
2023	11,613
2024	11,613
2025	968
Total	<u>\$ 30,000</u>

5.00% Convertible Senior Notes due 2027

On May 21, 2020, the Company issued \$200.0 million aggregate principal amount of 5.00% convertible senior notes due 2027 in a public offering. The 2027 Notes were registered pursuant to the Company's Shelf Registration Statement (as defined in Note 7 below). The interest rate on the 2027 Notes is fixed at 5.00% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2020. The 2027 Notes will mature on June 1, 2027. The net proceeds from the offering, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$193.6 million. The 2027 Notes may be settled in cash, shares of the Company's common stock, or a combination thereof, solely at the Company's election. The initial conversion rate of the 2027 Notes is 61.6095 shares per \$1,000 principal amount, which is equivalent to a conversion price of approximately \$16.23 per share, subject to adjustments. In addition, following certain corporate events that occur prior to the maturity date or if the Company issues a notice of redemption, the Company will increase the conversion rate for a holder who elects to convert its 2027 Notes in connection with such a corporate event during the related redemption period in certain circumstances.

The 2027 Notes are senior unsecured obligations of the Company, ranking senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2027 Notes, and are effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness, including all indebtedness under the Credit Facility.

Holders may convert their notes at their option only in the following circumstances: (1) during any calendar quarter (and only during such calendar quarter) commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock; (4) if the Company calls such notes for redemption; and (5) at any time from, and including, March 1, 2027 until the close of business on the scheduled trading day immediately before the maturity date.

The Company will not have the right to redeem the 2027 Notes prior to June 6, 2024. On or after June 6, 2024 and on or before the 50th scheduled trading day immediately before the maturity date, the Company may redeem the 2027 Notes, in whole or in part, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect on (1) each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. In the case of any optional redemption, the Company will redeem the 2027 Notes at a redemption price equal to 100% of the principal amount of such Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

If the Company undergoes a fundamental change prior to the maturity date of the 2027 Notes, holders of the 2027 Notes may require the Company to repurchase for cash all or part of their 2027 Notes at a repurchase price equal to 100% of the principal amount of the 2027 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The indenture governing the 2027 Notes provides for customary terms and covenants, including that upon certain events of default, either the trustee or the holders of not less than 25% in aggregate principal amount of the 2027 Notes then outstanding may declare the unpaid principal amount of the 2027 Notes and accrued and unpaid interest, if any, thereon immediately due and payable. As of September 30, 2021, the Company was in compliance with these covenants. In the case of certain events of bankruptcy, insolvency or reorganization, the principal amount of the 2027 Notes together with accrued and unpaid interest, if any, thereon will automatically become and be immediately due and payable.

As of September 30, 2021, there were no events or market conditions that would allow holders to convert the 2027 Notes. At the time the 2027 Notes become convertible within 12 months of the balance sheet date, the carrying value of the 2027 Notes will be reclassified to short-term.

In accounting for the issuance of the 2027 Notes, the Company separated the 2027 Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of similar debt instruments that do not have associated convertible features. The carrying amount of the equity component representing the conversion option was \$53.5 million and was determined by deducting the fair value of the liability component from the par

value of the 2027 Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The debt discount is amortized to interest expense over the term of the 2027 Notes at an effective interest rate of 11.17% over the contractual terms of the 2027 Notes.

In accounting for the debt issuance costs of \$0.4 million related to the 2027 Notes, the Company allocated the total amount incurred to the liability and equity components of the 2027 Notes based on their relative fair values. Issuance costs attributable to the liability component were \$0.3 million and will be amortized to interest expense using the effective interest method over the contractual terms of the 2027 Notes. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

The net carrying amount of the liability component of the 2027 Notes was as follows (in thousands):

	September 30, 2021	December 31, 2020
Principal amount	\$ 200,000	\$ 200,000
Unamortized debt discount	(51,367)	(56,080)
Unamortized debt issuance cost	(255)	(278)
Net carrying amount	<u>\$ 148,378</u>	<u>\$ 143,642</u>

The net carrying amount of the equity component of the 2027 Notes was as follows (in thousands):

	September 30, 2021	December 31, 2020
Debt discount related to the value of conversion option	\$ 53,635	\$ 53,635
Debt issuance cost	(109)	(109)
Net carrying amount	<u>\$ 53,526</u>	<u>\$ 53,526</u>

The following table sets forth the interest expense recognized related to the 2027 Notes (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Contractual interest expense	\$ 2,500	\$ 2,500	\$ 7,472	\$ 3,639
Amortization of debt discount	1,606	1,436	4,713	2,078
Amortization of debt issuance cost	7	7	23	10
Total interest expense related to the 2027 Notes	<u>\$ 4,113</u>	<u>\$ 3,943</u>	<u>\$ 12,208</u>	<u>\$ 5,727</u>

6. Licenses, Asset Acquisitions and Contingent Consideration

The following purchased assets were accounted for as asset acquisitions as substantially all of the fair value of the assets acquired were concentrated in a group of similar assets and/or the acquired assets were not capable of producing outputs due to the lack of employees and early stage of development. Because the assets had not yet received regulatory approval, the fair value attributable to these assets was recorded as in process research and development ("IPR&D") expenses in the Company's condensed consolidated statement of operations for the three and nine months ended September 30, 2021.

The Company accounts for contingent consideration payable upon achievement of certain regulatory, development or sales milestones in such asset acquisitions when the underlying contingency is met.

License from Pulmokine, Inc. (Seralutinib)

On October 2, 2017, the Company, entered into a license agreement with Pulmokine, Inc. under which it was granted an exclusive worldwide license and sublicense to certain intellectual property rights owned or controlled by Pulmokine to develop and commercialize seralutinib and certain backup compounds for the treatment, prevention and diagnosis of any and all disease or conditions. The Company also has the right to sublicense its rights under the license agreement, subject to certain conditions. The assets acquired are in the early stages of the FDA approval process, and the Company intends to further develop the assets acquired through potential FDA approval as evidenced by the milestone arrangement in the contract. The development activities cannot be performed without significant cost and effort by the Company. The agreement will remain in effect from the effective date, unless terminated earlier, until, on a licensed product-by-licensed product and country-by-country basis, the later of ten years from the date of first commercial sale or when there is no longer a valid patent claim covering such licensed product or specified regulatory exclusivity for the licensed product in such country. The Company is obligated to make future development and regulatory milestone payments of up to \$63.0 million, commercial milestone payments of up to \$45.0 million, and sales

milestone payments of up to \$190.0 million. The Company is also obligated to pay tiered royalties on sales for each licensed product, at percentages ranging from the mid-single digits to the high single-digits. The Company made an upfront payment of \$5.5 million in October 2017. In December 2020, the Company accrued a milestone payment of \$5.0 million in connection with the initiation of the first Phase 2 clinical trial of seralutinib. As of September 30, 2021, no other milestones had been accrued as the underlying contingencies had not yet been met.

License from Aadi Bioscience, Inc. (GB004)

On June 24, 2018, the Company entered into a license agreement with Aerpio Pharmaceuticals, Inc., now known as Aadi Bioscience, Inc. (“Aadi”), under which the Company was granted an exclusive worldwide license and sublicense to certain intellectual property rights owned or controlled by Aadi to develop and commercialize GB004, and certain other related compounds for all applications. The Company made an upfront payment of \$20.0 million in June 2018, which represented the purchase consideration for an asset acquisition. On May 11, 2020, the Company entered into an amendment to the license agreement with Aadi pursuant to which the Company made an upfront payment of \$15.0 million to Aadi for a reduction in future milestone payments and royalties. Under the amended license agreement, the Company is obligated to make future approval milestone payments of up to \$40.0 million and a sales milestone payment of \$50.0 million. The Company also has the right to sublicense its rights under the license agreement, subject to certain conditions. The Company is also obligated to pay tiered royalties on sales for each licensed product, at percentages ranging from low- to mid-single digits, subject to certain customary reductions. Aadi retains its twenty percent (20.00%) participation right on a disposition of GB004. As of September 30, 2021, no milestones had been accrued as the underlying contingencies had not yet been met.

Adhaere Pharmaceuticals, Inc. Acquisition (GB1275)

On September 21, 2018, the Company acquired Adhaere Pharmaceuticals, Inc. (“Adhaere”) pursuant to a merger agreement for an upfront payment of \$7.5 million in cash, and with the acquisition acquired the rights to GB1275 and certain backup compounds. The Company is obligated to make future regulatory, development and sales milestone payments of up to \$62.0 million and pay tiered royalties on worldwide net sales, at percentages ranging from low to mid-single digits, subject to customary reductions. The Company recorded IPR&D of \$7.5 million in connection with the acquisition of Adhaere. In May 2019, the Company made a milestone payment of \$1.0 million in connection with the filing of the Investigational New Drug application for the GB1275 program. As of September 30, 2021, no other milestones had been accrued as the underlying contingencies had not yet been met.

The Company recorded the following IPR&D expense on the condensed consolidated statements of operations (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
GB004	—	275	—	15,275
Other preclinical programs	15	—	60	2,805
Total in process research and development	\$ 15	\$ 275	\$ 60	\$ 18,080

7. Stockholders' Equity

Common stock

Each share of common stock is entitled to one vote. Common stock owners are entitled to dividends when funds are legally available and declared by the Board.

Shelf Registration Statement and Stock Offering

On April 10, 2020, the Company filed a universal shelf registration statement on Form S-3, covering the offering from time to time of common stock, preferred stock, debt securities, warrants and units, which registration statement became automatically effective on April 10, 2020 (the “Shelf Registration Statement”).

On May 21, 2020, the Company completed a public offering of 9,433,963 shares of its common stock at a public offering price of \$13.25 per share. The net proceeds from the offering, after deducting underwriting discounts and commissions and other offering costs, were approximately \$117.1 million. The shares sold in the offering were registered pursuant to the Company’s Shelf Registration Statement.

Shares of Common Stock Subject to Repurchase

On December 3, 2015, the Company issued 9,160,888 shares of common stock as founder shares for services rendered to the Company, valued at \$0.0001 par value per share, for a total of approximately \$4,100 (the "founder shares"). On January 4, 2018, incremental vesting conditions were placed on the previously issued founder shares. Fifty percent of the previously issued founder shares vested on January 4, 2018, and the remaining founder shares are subject to vesting restrictions over a period of five years. These shares are subject to repurchase by the Company upon a founder's termination of employment or service to the Company.

Pursuant to the employment agreements with the Company's founders executed January 4, 2018, the Company provided for certain potential additional issuances of common stock (the "anti-dilution shares") to each of the founders to ensure the total number of shares of common stock held by them and their affiliates (inclusive of any shares subject to equity awards granted by the Company) would represent 15% of the Company's fully-diluted capitalization until such time as the Company raised \$300.0 million in equity capital, including the capital raised in the Series A financing.

In furtherance of this obligation, on May 21, 2018, the Company issued 251,547 shares of common stock to the founders for services rendered to the Company, valued at \$2.61 per share with an additional 251,547 shares of restricted stock subject to the same vesting restrictions and vesting period as the founder shares. In addition, on September 6, 2018, the Company issued 1,795,023 shares of common stock to the founders for services rendered to the Company, valued at \$9.63 per share, with an additional 1,795,023 shares of restricted stock subject to the same vesting restrictions and vesting period as the founder shares.

In November 2017, in connection with the issuance of the Series A convertible preferred stock, certain employees entered into stock restriction agreements, whereby 1,305,427 shares are subject to forfeiture by the Company upon the stockholder's termination of employment or service to the Company.

During the nine months ended September 30, 2021, 25,389 shares were forfeited due to termination of employment. For the year ended December 31, 2020, 441,801 shares were forfeited due to termination of employment. Any shares subject to repurchase by the Company are not deemed, for accounting purposes, to be outstanding until those shares vest. As such, the Company recognizes the measurement date fair value of the restricted stock over the vesting period as compensation expense. As of September 30, 2021 and December 31, 2020, 925,208 and 1,649,348 shares of common stock were subject to repurchase by the Company, respectively. The unvested stock liability related to these awards is immaterial to all periods presented.

8. Equity Incentive Plans

2019 Equity Incentive Plan

In January 2019, the Company's board of directors and stockholders approved and adopted the 2019 Incentive Award Plan (the "2019 Plan"). The 2019 Plan became effective on February 6, 2019, the day prior to the effectiveness of the registration statement filed in connection with the IPO. Under the 2019 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock or cash-based awards to individuals who are then employees, officers, directors or consultants of the Company, and employees and consultants of the Company's subsidiaries. A total of 5,750,000 shares of common stock were approved to be initially reserved for issuance under the 2019 Plan. The number of shares that remained available for issuance under the 2017 Plan (as defined below) as of the effective date of the 2019 Plan were, and shares subject to outstanding awards under the 2017 Plan as of the effective date of the 2019 Plan that are subsequently canceled, forfeited or repurchased by the Company will be, added to the shares reserved under the 2019 Plan. In addition, the number of shares of common stock available for issuance under the 2019 Plan will be automatically increased on the first day of each calendar year during the ten-year term of the 2019 Plan, beginning with January 1, 2020 and ending with January 1, 2029, by an amount equal to 5% of the outstanding number of shares of the Company's common stock on December 31 of the preceding calendar year or such lesser amount as determined by the Company's board of directors. As of September 30, 2021, an aggregate of 2,866,077 shares of common stock were available for issuance under the 2019 Plan and 8,710,907 shares of common stock were subject to outstanding awards under the 2019 Plan.

2019 Employee Stock Purchase Plan

In January 2019, the Company's board of directors and stockholders approved and adopted the 2019 Employee Stock Purchase Plan (the "ESPP"). The ESPP became effective as of February 6, 2019, the day prior to the effectiveness of the registration statement filed in connection with the IPO. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation. A total of 700,000 shares of common stock were approved to be initially reserved for issuance under the ESPP. In addition, the number of shares of common stock available for issuance under the ESPP will be automatically increased on the first day of each calendar year during the first ten-years of the term of the ESPP, beginning with January 1, 2020 and ending with January 1, 2029, by an amount equal to 1% of the outstanding number of shares of the Company's common stock on December 31 of the preceding calendar year or such lesser amount as determined by the Company's board of directors. During the nine months ended September 30, 2021, 160,790 shares were issued pursuant to the ESPP. As of September 30, 2021, an aggregate of 1,844,007 shares of common stock were available for issuance under the ESPP.

2017 Equity Incentive Plan

The Company's 2017 Equity Incentive Plan (the "2017 Plan") permitted the granting of incentive stock options, non-statutory stock options, restricted stock, restricted stock units and other stock-based awards. Subsequent to the adoption of the 2019 Plan, no additional equity awards can be made under the 2017 Plan. As of September 30, 2021, 2,924,731 shares of common stock were subject to outstanding options under the 2017 Plan, and 41,606 shares of restricted stock awards granted under the 2017 plan were unvested.

Stock Options

The fair value of each employee and non-employee stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company estimates its expected volatility based on the historical volatility of a publicly traded set of peer companies. Due to the lack of historical exercise history, the expected term of the Company's stock options for employees has been determined utilizing the "simplified" method for awards. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

The following table summarizes stock option activity during the nine months ended September 30, 2021:

	Shares Subject to Options Outstanding		Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
	Shares	Weighted- Average Exercise Price		
Outstanding as of December 31, 2020	9,401,082	\$ 13.42	8.1	\$ 10,182
Options granted	2,923,501	\$ 9.67		
Options exercised	(280,895)	\$ 5.85		
Options forfeited/cancelled	(2,503,356)	\$ 14.01		
Outstanding as of September 30, 2021	9,540,332	\$ 12.33	7.5	\$ 22,958
Options vested and exercisable as of September 30, 2021	4,521,056	\$ 12.74	6.6	\$ 12,414

The aggregate intrinsic value in the above table is calculated as the difference between fair value of the Company's common stock price on September 30, 2021 and the exercise price of the stock options. The aggregate intrinsic value of stock options exercised during the nine months ended September 30, 2021 was \$0.7 million.

The weighted-average grant date fair value per share for the stock option grants during the nine months ended September 30, 2021 was \$6.85.

The aggregate fair value of stock options that vested during the nine months ended September 30, 2021 was \$17.3 million.

Restricted Stock

The summary of the Company's restricted stock activity is as follows:

	Number of Restricted Stock Units Outstanding	Weighted- Average Grant Date Fair Value
Nonvested at December 31, 2020	3,330,821	\$ 7.16
Granted	1,349,885	\$ 10.23
Vested	(983,485)	\$ 5.58
Forfeited	(676,712)	\$ 10.01
Nonvested at September 30, 2021	<u>3,020,509</u>	<u>\$ 8.41</u>

At September 30, 2021, the total unrecognized compensation related to unvested restricted stock awards granted was \$18.2 million, which the Company expects to recognize over a weighted-average period of approximately 1.3 years.

Stock-Based Compensation Expense

Stock-based compensation expense has been reported in the Company's condensed consolidated statements of operations as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Research and development	\$ 4,349	\$ 4,726	\$ 14,435	\$ 14,094
General and administrative	3,238	4,197	9,914	11,973
Total stock-based compensation	<u>\$ 7,587</u>	<u>\$ 8,923</u>	<u>\$ 24,349</u>	<u>\$ 26,067</u>

At September 30, 2021, the total unrecognized compensation related to unvested stock option awards granted was \$38.4 million, which the Company expects to recognize over a weighted-average period of approximately 2.4 years.

As of September 30, 2021, total unrecognized compensation expense related to the ESPP was \$1.3 million, which the Company expects to recognize over a weighted-average period of approximately one year.

9. Commitments and Contingencies**Leases**

The Company subleases certain office and laboratory space under a non-cancelable operating lease expiring in January 2025 for the initial leased space and December 2022 for expansion space leased pursuant to an amendment to the lease agreement entered into in August 2018. The sublease agreement included options to extend for the entire premises through October 2028. The options to extend must be exercised prior to the termination of the original lease agreement. The period covered by the options was not included in the non-cancellable lease term as it was not determined to be reasonably certain to be executed. The lease agreement also includes a one-time termination option for the expansion space only whereby the Company can terminate the lease with advance written notice. The termination option was not determined to be reasonably certain to be executed. The lease is subject to charges for common area maintenance and other costs, and base rent is subject to an annual 3% increase each subsequent year. Costs determined to be variable and not based on an index or rate were not included in the measurement of the operating lease liabilities.

In November 2019, the Company entered into an additional non-cancelable lease agreement for certain office and laboratory space (the "permanent space") in San Diego, California, commencing on May 1, 2020 and expiring on December 31, 2021. The lease agreement includes a lease for temporary space commencing on January 1, 2020 and expiring on the commencement date of the lease of the permanent space. The monthly base rent for the permanent and temporary space is \$63,425 and \$28,745, respectively. The lease agreement included an option to extend the term of the permanent space for twelve months. The option to extend must be exercised nine months prior to the termination of the original lease agreement. The period covered by the option was not included in the non-cancellable lease term as it was not determined to be reasonably certain to be executed. The lease is subject to charges for common area maintenance and other costs, and base rent is subject to an annual 3% increase each subsequent year.

In June 2020, the Company entered into a sublease agreement for the permanent space with a third party. The sublease commenced on July 1, 2020 and expires on December 31, 2021. The sublessee pays the monthly base rent of \$63,425, subject to an annual 3% increase, and is obligated to pay for common area maintenance and other costs. The sublessee received a 6 months base rent abatement. The Company determined that there was no impairment on the original right-of-use asset and will continue to account for the permanent space as it did before the commencement of the sublease. For the three and nine months ended September 30, 2021, the Company recognized \$0.3 million and \$0.9 million, respectively, in sublease income. The Company recognized \$0.1 million in sublease income for the three and nine months ended September 30, 2020.

On July 29, 2020, the Company entered into a lease assignment agreement, whereby it became the assignee to a lease for certain office and laboratory space in Ann Arbor, Michigan. On August 4, 2021, the Company entered into a lease assignment agreement, whereby it assigned the lease to another assignee. The Company derecognized the related operating lease obligation and right-of-use asset of \$1.7 million.

Monthly rent expense is recognized on a straight-line basis over the term of the leases. The operating leases are included in the balance sheet at the present value of the lease payments at a weighted average discount rate of 7% using the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment as the leases do not provide an implicit rate. The weighted average remaining lease term was 2.3 years.

Lease costs were comprised of the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 1,008	\$ 1,007	\$ 3,084	\$ 2,577
Short-term lease cost	13	16	34	54
Total lease cost	\$ 1,021	\$ 1,023	\$ 3,118	\$ 2,631

Cash paid for amounts included in the measurement of operating lease liabilities for the three and nine months ended September 30, 2021 and 2020 was \$1.0 million, \$3.2 million, \$1.0 million and \$2.6 million, respectively.

Gross future minimum annual rental commitments as of September 30, 2021, were as follows (in thousands):

	Undiscounted Rent Payments
Year ending December 31	
2021 (remaining 3 months)	\$ 985
2022	3,220
2023	1,694
2024	1,746
2025	—
Total undiscounted rent payments	\$ 7,645
Present value discount	(651)
Present value	\$ 6,994
Current portion of operating lease liability (included as a component of accrued expenses)	3,030
Noncurrent operating lease liabilities	3,964
Total operating lease liability	\$ 6,994

For the three and nine months ended September 30, 2021 and 2020 the Company recorded approximately \$1.1 million, \$3.3 million, \$1.0 million and \$1.9 million, respectively, in rent expense.

Litigation

Kuhne vs. Gossamer Bio, Inc., et. al.

On April 3, 2020, Scott Kuhne, individually and on behalf of all others similarly situated, filed a putative class action lawsuit against the Company, certain of its executive officers and directors, and the underwriters of its IPO in the United States District Court for the Southern District of California (Case No. 3:20-cv-00649-DMS-DEB). The operative complaint was filed on November 20, 2020. The complaint was filed on behalf of all investors who purchased the Company's securities pursuant to or traceable to the Company's February 8, 2019 IPO. The complaint alleged that the Company, certain of its executive officers and directors, and the underwriters of its IPO made false and/or misleading statements and failed to disclose material adverse facts about its business, operations and prospects in violation of Sections 11 and 15 of the Securities Act of 1933, as amended. The plaintiff sought damages, interest, costs, attorneys' fees, and other unspecified equitable relief. The Company moved to dismiss the complaint on January 19, 2021. On April 19, 2021, the Court granted the Company's motion to dismiss in substantial part without leave to amend, and denied the motion to dismiss as to single claim. On October 29, 2021, the parties informed the Court that they have reached a settlement in principle, and the Court has vacated all deadlines. While the specific terms of the settlement remain to be finalized, the Company has agreed to pay approximately \$2.4 million, in exchange for customary releases and settlement terms. In accordance with the authoritative guidance on the evaluation of loss contingencies, the Company recorded a \$2.4 million litigation charge related to this matter, which is included as a component of General and Administrative expense in the Condensed Consolidated Statements of Operations for the three and nine month ended September 30, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis and the unaudited interim condensed consolidated financial statements included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2020 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 26, 2021.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations and financial position, business strategy, the impact of the COVID-19 pandemic, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations, clinical developments and future results of product development programs, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors" of this report and Part I, Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K filed with the SEC on February 26, 2021. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are a clinical-stage biopharmaceutical company focused on discovering, acquiring, developing and commercializing therapeutics in the disease areas of immunology, inflammation and oncology. We are currently evaluating three clinical-stage product candidates, including two candidates in ongoing Phase 2 clinical trials. We are developing serralutinib for the treatment of pulmonary arterial hypertension, or PAH, and commenced enrolling patients for a Phase 2 TORREY clinical trial in PAH patients in December 2020. We expect topline results from this trial in the second half of 2022, subject to developments in the ongoing COVID-19 pandemic. We are developing GB004 for the treatment of inflammatory bowel disease, including ulcerative colitis, or UC, and Crohn's disease. We commenced enrolling patients for a Phase 2 SHIFT-UC clinical trial in UC in October 2020, and in the fourth quarter of 2021, we announced that the trial had completed patient enrollment. We expect topline results from this trial in the second quarter of 2022. We are developing GB5121 for the treatment of relapsed/refractory primary CNS lymphoma, or PCNSL, and we commenced enrolling healthy volunteers in a Phase 1 clinical trial in November 2021. We expect to initiate a Phase 1b/2 clinical trial of GB5121 in PCNSL patients in the first half of 2022. We have a pre-clinical product candidate for the treatment of multiple sclerosis, GB7208, which we expect to advance into human clinical trials in the second half of 2022. We also have multiple other preclinical programs at various stages of development in the therapeutic areas of immunology, inflammation and oncology, and we are advancing those product candidates towards clinical development. We have assembled a deeply experienced and highly skilled group of industry veterans, scientists, clinicians and key opinion leaders from leading biotechnology and pharmaceutical companies, as well as leading academic centers from around the world. Our employees are a team of highly dedicated, passionate individuals who pride themselves on a culture of respect, humility, transparency, inclusion, dedication, collaboration and fun. Our ultimate goal is to enhance and extend the lives of patients.

We were incorporated in October 2015 and commenced operations in 2017. To date, we have focused primarily on organizing and staffing our company, business planning, raising capital, identifying, acquiring and in-licensing our product candidates and conducting preclinical studies and early clinical trials. We have funded our operations primarily through equity

and debt financings. We raised \$942.0 million from October 2017 through September 30, 2021 through Series A and B convertible preferred stock financings, a convertible note financing, our IPO completed in February 2019, proceeds from our Credit Facility, and proceeds from our concurrent underwritten public offerings of 2027 Notes and common stock in May 2020. In addition, we received \$12.8 million in cash in connection with the January 2018 acquisition of AA Biopharma Inc., of which Pulmagen Therapeutics (Asthma) Limited is a wholly-owned subsidiary. As of September 30, 2021, we had \$366.0 million in cash, cash equivalents and marketable securities.

We have incurred significant operating losses since our inception and expect to continue to incur significant operating losses for the foreseeable future. For the three and nine months ended September 30, 2021 our net loss was \$60.2 million and \$177.7 million, respectively. For the three and nine months ended September 30, 2020 our net loss was \$57.8 million and \$178.8 million, respectively. As of September 30, 2021, we had an accumulated deficit of \$755.3 million. We expect our expenses and operating losses will increase substantially as we conduct our ongoing and planned clinical trials, continue our research and development activities and conduct preclinical studies, and seek regulatory approvals for our product candidates, as well as hire additional personnel, protect our intellectual property and incur additional costs associated with being a public company. In addition, as our product candidates progress through development and toward commercialization, we will need to make milestone payments to the licensors and other third parties from whom we have in-licensed or acquired our product candidates, including seralutinib and GB004. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending in particular on the timing of our clinical trials and preclinical studies and our expenditures on other research and development activities.

We do not expect to generate any revenue from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates, which we expect will take a number of years. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, until such time as we can generate substantial product revenues to support our cost structure, if ever, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise additional capital when needed, we could be forced to delay, limit, reduce or terminate our product candidate development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

COVID-19 Pandemic

The current COVID-19 worldwide pandemic has presented substantial public health and economic challenges and continues to affect our employees, patients, communities and business operations, as well as the U.S. and global economies and financial markets. International and U.S. governmental authorities in impacted regions continue to take actions in an effort to slow the spread of COVID-19, including issuing varying forms of “stay-at-home” orders, and restricting business functions outside of one’s home. In response, we have implemented a work-from-home policy for certain of our employees. To date, we have been able to continue to supply our product candidates to our patients currently enrolled in our clinical trials, including for seralutinib and GB004, and do not currently anticipate any interruptions in supply. In addition, while we are continuing the clinical trials we have underway in sites across the globe, COVID-19 precautions have caused delays, and may continue to delay completion of these and future trials and may directly or indirectly impact the timeline for data readouts, initiation of, as well as monitoring, data collection and analysis and other related activities for, some of our current and future clinical trials. For example, our current expectations for how we will continue to enroll our Phase 2 clinical trial of seralutinib are based on an assumption that clinical trial and healthcare activities continue to return to normal and clinical sites remain open or reopen over the next six months in light of the continued spread of COVID-19. In particular, some PAH clinical trial sites are currently closed or limited as PAH patients may be at a higher risk of COVID-19 complications than the general population, and some PAH clinical trials may close again if there is a surge of COVID-19 cases in the specific geographies of such trial site locations. In addition, some PAH clinical trial sites and key vendors for our Phase 2 clinical trial of seralutinib are experiencing staffing shortages which has limited our ability to recruit and enroll patients. Therefore, our assumptions around enrollment timing may prove to be incorrect, in particular if COVID-19 continues to spread. In light of recent developments relating to the COVID-19 pandemic, and consistent with the FDA’s updated industry guidance for conducting clinical trials, clinical trials may be deprioritized in favor of treating patients who have contracted the virus or to prevent the spread of the virus. This may lead to clinical trial protocol deviations or to discontinuation of treatment for patients who are currently enrolled in our trials. Any delays in the completion of our clinical trials, data analysis or readouts and any disruption in our supply chain could have a material adverse effect on our business, results of operations and financial condition. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, will depend on future

developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat it, as well as the economic impact on local, regional, national and international markets.

Components of Results of Operations

Revenue

We have not generated any revenue since our inception and do not expect to generate any revenue from the sale of products for the foreseeable future.

Operating expenses

Research and development

Research and development expenses have related primarily to preclinical and clinical development of our product candidates and discovery efforts. Research and development expenses are recognized as incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received.

Research and development expenses include or could include:

- salaries, payroll taxes, employee benefits, and stock-based compensation charges for those individuals involved in research and development efforts;
- external research and development expenses incurred under agreements with contract research organizations, or CROs, investigative sites and consultants to conduct our clinical trials and preclinical and non-clinical studies;
- laboratory supplies;
- costs related to manufacturing our product candidates for clinical trials and preclinical studies, including fees paid to third-party manufacturers;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent, maintenance of facilities, insurance, equipment and other supplies.

Our direct research and development expenses consist principally of external costs, such as fees paid to CROs, investigative sites and consultants in connection with our clinical trials, preclinical and non-clinical studies, and costs related to manufacturing clinical trial materials. We deploy our personnel and facility related resources across all of our research and development activities. We track external costs and personnel expense on a program-by-program basis and allocate common expenses, such as facility related resources, to each program based on the personnel resources allocated to such program. Stock-based compensation and personnel and common expenses not attributable to a specific program are considered unallocated research and development expenses.

We plan to substantially increase our research and development expenses for the foreseeable future as we continue the development of our product candidates and conduct discovery and research activities for our preclinical programs. We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future preclinical studies and clinical trials of our product candidates due to the inherently unpredictable nature of preclinical and clinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. We anticipate that we will make determinations as to which product candidates to pursue and how much funding to direct to each product candidate on an ongoing basis in response to the results of ongoing and future preclinical studies and clinical trials, regulatory developments and our ongoing assessments as to each product candidate's commercial potential. We will need to raise substantial additional capital in the future.

Our clinical development costs may vary significantly based on factors such as:

- the costs incurred as a result of the COVID-19 pandemic, including clinical trial delays;
- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;

- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the cost and timing of manufacturing our product candidates;
- the phase of development of our product candidates; and
- the efficacy and safety profile of our product candidates.

In process research and development

In process research and development, or IPR&D, expenses include IPR&D acquired as part of an asset acquisition or in-license for which there is no alternative future use, are expensed as incurred.

IPR&D expenses consist of our upfront payments made to Pulmokine, Inc., in connection with the in-license of seralutinib, the value of our stock issued to former AA Biopharma Inc. shareholders, in connection with the acquisition of GB001, our upfront payments made to Aerpio Pharmaceuticals, Inc., now known as Aadi Bioscience, Inc., or Aadi, in connection with the in-license and subsequent amendment of the in-license of GB004, our upfront and milestone payments made to Adhaere Pharmaceuticals, Inc., or Adhaere, in connection with the acquisition of GB1275, and upfront and milestone payments made in connection with the acquisition of certain preclinical programs.

General and administrative

General and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance and other administrative functions. Other significant costs include facility-related costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services and insurance costs.

We expect our general and administrative expenses will increase for the foreseeable future to support our expanded infrastructure and increased costs of operating as a public company. These increases will likely include increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Other income, net

Other income, net consists of (1) interest income on our cash, cash equivalents and marketable securities, (2) sublease income, (3) interest expense related to our Credit Facility and our 2027 Notes, and (4) other miscellaneous income (expense).

Critical Accounting Policies and Estimates

Our management’s discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. During the nine months ended September 30, 2021, there have been no significant changes in our critical accounting policies as discussed in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K filed with the SEC on February 26, 2021.

Results of Operations – Comparison of the Three and Nine Months Ended September 30, 2021 and 2020

The following table sets forth our selected statements of operations data for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,		2021 vs 2020
	2021	2020	Change
(in thousands)			
Operating expenses:			
Research and development	\$ 43,190	\$ 41,846	\$ 1,344
In process research and development	15	275	(260)
General and administrative	12,459	11,448	1,011
Total operating expenses	55,664	53,569	2,095
Loss from operations	(55,664)	(53,569)	(2,095)
Other income (expense), net			
Interest income	191	580	(389)
Interest expense	(4,889)	(4,715)	(174)
Other income	115	(108)	223
Total other income (expense), net	(4,583)	(4,243)	(340)
Net loss	\$ (60,247)	\$ (57,812)	\$ (2,435)

The following table sets forth our selected statements of operations data for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,		2021 vs 2020 Change
	2021	2020	
(in thousands)			
Operating expenses:			
Research and development	\$ 129,335	\$ 121,944	\$ 7,391
In process research and development	60	18,080	(18,020)
General and administrative	35,068	33,851	1,217
Total operating expenses	164,463	173,875	(9,412)
Loss from operations	(164,463)	(173,875)	9,412
Other income (expense), net			
Interest income	525	3,076	(2,551)
Interest expense	(14,503)	(7,913)	(6,590)
Other income	721	(44)	765
Total other expense, net	(13,257)	(4,881)	(8,376)
Net loss	\$ (177,720)	\$ (178,756)	\$ 1,036

Operating Expenses

Research and development

Research and development expenses were \$43.2 million for the three months ended September 30, 2021, compared to \$41.8 million for the three months ended September 30, 2020, for an increase of \$1.3 million, which was primarily attributable to an increase of \$14.4 million of costs associated with preclinical studies for what we collectively refer to as our other programs in the table below, an increase of \$1.0 million of costs associated with preclinical studies and clinical trials for GB004 and an increase of \$0.7 million of costs associated with preclinical studies and clinical trials for seralutinib, offset by a decrease of \$11.4 million of costs associated with preclinical studies and clinical trials for GB001 and a decrease of \$3.2 million of costs associated with preclinical studies and clinical trials for GB1275.

Research and development expenses were \$129.3 million for the nine months ended September 30, 2021, compared to \$121.9 million for the nine months ended September 30, 2020, for an increase of \$7.4 million, which was primarily attributable to an increase of \$21.5 million of costs associated with preclinical studies for our other programs and an increase of \$12.3 million of costs associated with preclinical studies and clinical trials for GB004, an increase of \$8.1 million of costs associated with preclinical studies and clinical trials for GB002, offset by a decrease of \$28.1 million of costs associated with preclinical studies and clinical trials for GB001 and a decrease of \$6.3 million of costs associated with preclinical studies and clinical trials for GB1275.

The following table shows our research and development expenses by program for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
(in thousands)				
Seralutinib	\$ 12,382	\$ 11,687	\$ 34,695	\$ 26,593
GB004	11,613	10,598	30,857	18,522
GB1275	1,954	6,181	7,311	13,620
GB001	338	11,716	2,051	31,258
Other Programs	16,903	1,664	54,421	31,951
Total research and development	\$ 43,190	\$ 41,846	\$ 129,335	\$ 121,944

In process research and development

There were no significant IPR&D expenses for the three months ended September 30, 2021 and 2020.

There were no significant IPR&D expenses for the nine months ended September 30, 2021. IPR&D for the nine months ended September 30, 2020 was \$18.1 million, which was primarily attributable to a \$15.0 million upfront payment to Aadi in connection with the amendment to the in-license agreement of GB004.

General and administrative

General and administrative expenses were \$12.5 million for the three months ended September 30, 2021, compared to \$11.4 million for the three months ended September 30, 2020, for an increase of \$1.0 million, which was primarily attributable to an increase in legal expense in connection with a potential settlement of outstanding litigation of \$2.4 million, offset by a decrease in stock-based compensation costs.

General and administrative expenses were \$35.1 million for the nine months ended September 30, 2021, compared to \$33.9 million for the nine months ended September 30, 2020, for an increase of \$1.2 million, which was primarily attributable to an increase in legal expense in connection with a potential settlement of outstanding litigation of \$2.4 million, offset by a decrease in stock-based compensation costs.

Other income (expense), net

Other expense, net was \$4.6 million for the three months ended September 30, 2021, compared to other expense, net of \$4.2 million for the three months ended September 30, 2020, for an increase of \$0.4 million, which was primarily attributable to a decrease in investment income earned on our cash, cash equivalents and marketable securities during the period.

Other expense, net was \$13.3 million for the nine months ended September 30, 2021, compared to other expense, net of \$4.9 million for the nine months ended September 30, 2020, for an increase of \$8.4 million, which was primarily attributable to a \$6.6 million increase in interest expense on our 2027 Notes and a \$2.6 million decrease in investment income earned on our cash, cash equivalents and marketable securities during the period, offset by an increase in sublease income of \$0.8 million.

Liquidity and Capital Resources

We have incurred substantial operating losses since our inception and expect to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of September 30, 2021, we had an accumulated deficit of \$755.3 million.

Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Under our license agreements with Pulmokine and Aadi, as well as our other license and acquisition agreements, we have payment obligations that are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones and are required to make royalty payments in connection with the sale of products developed under those agreements. As of September 30, 2021, we were unable to estimate the timing or likelihood of achieving the milestones or making future product sales. Other contractual obligations include future payments under our Credit Facility, 2027 Notes and existing operating leases.

From our inception through the nine months ended September 30, 2021, our operations have been financed primarily by gross proceeds of \$942.0 million from the sale of our convertible preferred stock, convertible promissory note, proceeds from our IPO, proceeds from our Credit Facility, and proceeds from our concurrent underwritten public offerings of 2027 Notes and common stock. As of September 30, 2021 we had cash, cash equivalents and marketable securities of \$366.0 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to capital preservation and liquidity.

On February 12, 2019, we closed our IPO and the underwriters in the IPO purchased 19,837,500 shares, including the full exercise of their option to purchase additional shares of common stock. The net proceeds from the IPO were \$291.3 million, after deducting underwriting discounts and commissions and estimated offering costs. In connection with the closing of the IPO, the outstanding shares of our convertible preferred stock were converted into shares of common stock at a ratio of 4.5-to-one.

On May 2, 2019, we entered into a credit, guaranty and security agreement, as amended on September 18, 2019 and July 2, 2020, pursuant to which the lenders party thereto agreed to make term loans available to us for working capital and general business purposes, in a principal amount of up to \$150.0 million in term loan commitments, including a \$30.0 million term loan which was funded at the closing date, with the ability to access the remaining \$120.0 million in two additional tranches (each \$60.0 million), subject to specified availability periods, the achievement of certain clinical development milestones, minimum cash requirements and other customary conditions, or the Credit Facility. As of September 30, 2021, no other tranches under the Credit Facility were available to be drawn.

On April 10, 2020, we filed a registration statement on Form S-3, or the Shelf Registration Statement, covering the offering from time to time of common stock, preferred stock, debt securities, warrants and units, which registration statement became automatically effective on April 10, 2020.

In May 2020, we issued \$200.0 million aggregate principal amount 5.00% convertible senior notes due 2027 in a registered public offering. The interest rate on the 2027 Notes is fixed at 5.00% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year commencing on December 1, 2020. The total net proceeds from the 2027 Notes, after deducting the underwriting discounts and commissions and other offering costs, were approximately \$193.6 million. Concurrent with the registered underwritten public offering of the 2027 Notes, we completed an underwritten public offering of 9,433,963 shares of our common stock. We received net proceeds of \$117.1 million, after deducting underwriting discounts and commissions and other offering costs. Our concurrent offerings of 2027 Notes and common stock were registered pursuant to the Shelf Registration Statement.

Additional information about our long-term borrowings is presented in Note 5 “Indebtedness” to the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q, which is incorporated herein by this reference.

The following table shows a summary of our cash flows for each of the nine months ended September 30, 2021 and 2020, respectively:

	Nine months ended September 30,	
	2021	2020
	(in thousands)	
Net cash used in operating activities	\$ (148,381)	\$ (139,624)
Net cash provided by (used in) investing activities	(127,870)	154,242
Net cash provided by financing activities	2,958	312,291
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$ 211	\$ (42)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ (273,082)</u>	<u>\$ 326,867</u>

Operating activities

During the nine months ended September 30, 2021, operating activities used approximately \$148.4 million of cash, primarily resulting from a net loss of \$177.7 million reduced by stock-based compensation expense of \$24.3 million.

During the nine months ended September 30, 2020, operating activities used approximately \$139.6 million of cash, primarily resulting from a net loss of \$178.8 million and changes in operating assets and liabilities of \$10.1 million, reduced by stock-based compensation expense of \$26.1 million and IPR&D expense of \$18.1 million. Net cash used in changes in operating assets and liabilities consisted primarily of changes in accrued research and development expenses and prepaid expenses and other current assets.

Investing activities

During the nine months ended September 30, 2021, investing activities used approximately \$127.9 million of cash, primarily resulting from the purchases of marketable securities of \$143.9 million, offset by the maturities of marketable securities of \$17.6 million.

During the nine months ended September 30, 2020, investing activities provided approximately \$154.2 million of cash, primarily resulting from the sales and maturities of marketable securities of \$282.5 million, offset by the purchases of marketable securities of \$109.0 million and a \$15.0 million upfront payment to Aadi in connection with the amendment to the in-license agreement of GB004.

Financing activities

During the nine months ended September 30, 2021, financing activities provided \$3.0 million of cash, primarily resulting from the purchase of shares pursuant to the ESPP and the exercise of stock options.

During the nine months ended September 30, 2020, financing activities provided \$312.3 million of cash, primarily resulting from the concurrent registered underwritten public offerings of 2027 Notes and our common stock for net proceeds of \$193.6 million and \$117.1 million, respectively.

Funding requirements

Based on our current operating plan, we believe that our existing cash, cash equivalents and marketable securities, and access to our Credit Facility, will be sufficient to fund our operations into the second half of 2023. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Our future capital requirements will depend on many factors, including:

- the type, number, scope, progress, expansions, results, costs and timing of, our preclinical studies and clinical trials of our product candidates which we are pursuing or may choose to pursue in the future;
- the costs and timing of manufacturing for our product candidates;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of obtaining, maintaining and enforcing our patents and other intellectual property rights;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our preclinical and clinical activities increase;
- the timing and amount of the milestone or other payments we must make to the licensors and other third parties from whom we have in-licensed our acquired our product candidates;
- the costs and timing of establishing or securing sales and marketing capabilities if any product candidate is approved;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- costs associated with any products or technologies that we may in-license or acquire; and
- any delays and cost increases that result from the COVID-19 pandemic.

Until such time as we can generate substantial product revenues to support our cost structure, if ever, we expect to finance our cash needs through equity offerings, our Credit Facility, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements.

However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, licenses and other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue

streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. Our failure to raise capital or enter into such other arrangements when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise additional capital when needed, we could be forced to delay, limit, reduce or terminate our product candidate development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2021, there have been no material changes surrounding our market risk, including interest rate risk, foreign currency exchange risk, and inflation risk, from the discussion provided in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We discuss certain legal proceedings in Part I of this Quarterly Report on Form 10-Q under the caption “Item 1. Consolidated Financial Statements,” in Note 9 to our Condensed Consolidated Financial Statements, which is captioned “Commitments and Contingencies,” under the sub-caption “Litigation,” and refer you to that discussion, which is incorporated herein by reference to that Note 9, for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed by us in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 26, 2021.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

On February 7, 2019, our registration statement on Form S-1 (File No. 333-228984) was declared effective by the SEC for our initial public offering. At the closing of the offering on February 12, 2019, we sold 19,837,500 shares of common stock, which included the exercise in full by the underwriters of their option to purchase 2,587,500 additional shares, at an initial public offering price of \$16.00 per share and received gross proceeds of \$317.4 million, which resulted in net proceeds to us of approximately \$291.3 million, after deducting underwriting discounts and commissions of approximately \$22.2 million and offering-related transaction costs of approximately \$3.9 million. None of the expenses associated with the initial public offering were paid to directors, officers, persons owning ten percent or more of any class of equity securities, or to their associates, or to our affiliates. Merrill Lynch, Pierce, Fenner & Smith Incorporated, SVB Leerink LLC, Barclays Capital Inc. and Evercore Group L.L.C. acted as joint book-running managers for the offering.

As of September 30, 2021, we have used approximately \$235.9 million of the proceeds from our IPO for general corporate purposes. There has been no material change in the planned use of proceeds from our initial public offering from that described in the final prospectus filed by us with the SEC on February 8, 2019.

Issuer Repurchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation.	8-K	2/12/2019	3.1	
3.2	Amended and Restated Bylaws.	10-Q	5/12/2020	3.2	
4.1	Form of Common Stock Certificate.	S-1/A	1/23/2019	4.1	
4.2	Amended and Restated Investors' Rights Agreement, dated July 20, 2018, by and among the Registrant and certain of its stockholders.	S-1	12/21/2018	4.2	
4.3	Indenture, dated as of May 21, 2020, by and between the Company and Wilmington Trust, National Association.	8-K	5/21/2020	4.1	
4.4	First Supplemental Indenture, dated May 21, 2020, by and between the Company and Wilmington Trust, National Association.	8-K	5/21/2020	4.2	
4.5	Form of Global Note representing 5.00% Convertible Senior Notes due 2027 (included as part of Exhibit 4.4).	8-K	5/21/2020	4.3	
31.1	Certification of Chief Executive Officer of Gossamer Bio, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Gossamer Bio, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Report Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document				X
101.LAB	XBRL Taxonomy Label Linkbase Document				X
101.PRE	XBRL Presentation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X

* This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

Date: November 8, 2021

GOSSAMER BIO, INC.

By: /s/ Faheem Hasnain

Faheem Hasnain

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 8, 2021

By: /s/ Bryan Giraud

Bryan Giraud

Chief Operating Officer and Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Faheem Hasnain, certify that:

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

Date: November 8, 2021

/s/ Faheem Hasnain

Faheem Hasnain

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Bryan Giraud, certify that:

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

Date: November 8, 2021

/s/ Bryan Giraud

Bryan Giraud

Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer)

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

I, Faheem Hasnain, President and Chief Executive Officer of Gossamer Bio, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the “Report”), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 8, 2021

/s/ Faheem Hasnain

Faheem Hasnain

President and Chief Executive Officer

(Principal Executive Officer)

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

I, Bryan Giraud, Chief Financial Officer of Gossamer Bio, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report"), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 8, 2021

/s/ Bryan Giraud

Bryan Giraud

Chief Operating Officer and Chief Financial Officer

(Principal Financial and Accounting Officer)