STAAR SURGICAL CO
Form 8-K
June 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 10, 2016

STAAR Surgical Company

(Exact name of registrant as specified in its charter)

Delaware	0-11634	95-3797439
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1911 Walker Ave, Monrovia, California	91016
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: 626-303-7902

Not Applicable

_____

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

STAAR Surgical Company's Chief Executive Officer, Caren Mason, and Chief Financial Officer, Stephen Brown, will give presentations to investors on June 10, 2016. A copy of the slide presentation they will use in their presentations is furnished as Exhibit 99.1 to this Report, and is incorporated herein by this reference.

The information furnished herewith pursuant to Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Current Report, regardless of any general incorporation language in the filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	**Description**
99.1	Slide Presentation dated June 10, 2016.

SIGNATURE

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 hereunto duly authorized.

STAAR Surgical Company

June 10, 2016 By: /s/ Caren Mason
Caren Mason
President and Chief Executive Officer

yle="display:inline;font-size:1pt;">

Year Ended December 31,

2018

2017

2016

(in thousands)

Net cash provided by (used in):

Operating activities

$

(58,826)

$

(77,557)

$

(75,889)

Investing activities

24,964

(19,473)

24,881

Financing activities

71,894

117,688

25,184

Net increase (decrease) in cash and cash equivalents

$

38,032

$

20,658

$

(25,824)

Net cash used in operating activities was approximately $58.8 million in 2018 compared to approximately $77.6 million and $75.9 million in 2017 and 2016, respectively.

Net cash used in operating activities in 2018 was primarily due to the cash payments to support our ongoing efforts to commercialize TAVALISSE and the cost of our research and development programs, partially offset by the $33.0 million payment we received from a collaborative partner. Net cash used in operating activities in 2017 was primarily due to the cash payments related to our research and development programs, which include costs related to the submission of our NDA for fostamatinib in ITP, and commercial launch preparation costs, partially offset by the $4.5 million payment we received from our collaborative partners. Net cash used in operating activities in 2016 was primarily due to the cash payments related to our research and development programs and severance payments as a result of the reduction in workforce in September 2016, partially offset by the $3.7 million and $3.0 million payments we received from BerGenBio and BMS, respectively. The timing of cash requirements may vary from period to period depending on our ongoing commercial activities related to TAVALISSE, our research and development activities, including our planned preclinical and clinical trials, and future requirements to establish commercial capabilities for any products that we may develop.

Net cash provided by investing activities was approximately $25.0 million in 2018 compared to net cash used in investing activities of approximately $19.5 million in 2017 and net cash provided by investing activities of approximately $24.9 million in 2016. Net cash provided by investing activities in 2018 related to net maturities of short term investments, partially offset by capital expenditures. Net cash used in investing activities in 2017 related to net purchases of short term investments and capital expenditures, partially offset by the $732,000 proceeds from disposal of assets. Net cash provided by investing activities in 2016 related to net maturities of short term investments, partially offset by capital expenditures. Capital expenditures were approximately $1.1 million, $164,000 and $804,000 in 2018, 2017 and 2016, respectively.

Net cash provided by financing activities was approximately $71.9 million in 2018 compared to approximately $117.7 million and $25.2 million in 2017 and 2016, respectively. Net cash provided by financing activities in 2018 consisted of net proceeds of $67.2 million from issuance of common stock pursuant to the underwritten public offering and $4.7 million proceeds from exercise of stock options and participation in the Purchase Plan. Net cash provided by financing activities in 2017 consisted of net proceeds of $108.3 million from issuance of common stock pursuant to the underwritten public offerings we completed in February and October 2017, $5.7 million from issuance of shares under our Amended Sales Agreement with Cantor and proceeds from exercise of stock options and participation in the Purchase Plan. Net cash provided by financing activities in 2016 consisted of net proceeds from issuance of shares under the Controlled Equity Offering Sales Agreement of $23.6 million as well as proceeds from exercise of outstanding options and issuance of shares under the Purchase Plan of $1.6 million.

Off Balance Sheet Arrangements

As of December 31, 2018, we had no off balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S K under the Exchange Act).

Table of Contents

Contractual Obligations

We conduct our commercial activities and research and development programs internally and through third parties that include, among others, arrangements with vendors, consultants, contract research organizations (CRO) and universities. We have contractual arrangements with these parties, however our contracts with them are cancelable generally on reasonable notice within one year and our obligations under these contracts are primarily based on services performed. We do not have any purchase commitments under any collaboration arrangements.

We have agreements with certain clinical research organizations (CROs) to conduct our clinical trials and with third parties relative to our commercialization of TAVALISSE. The timing of payments for any amounts owed under the respective agreements will depend on various factors including, but not limited to, patient enrollment and other progress of the clinical trial and various activities related to commercial launch. We will continue to enter into contracts in the normal course of business with various third parties who support our clinical trials, support our preclinical research studies, and provide other services related to our operating purposes as well as our commercial launch of TAVALISSE. We can terminate these agreements at any time, and if terminated, we would not be liable for the full amount of the respective agreements. Instead, we will be liable for services provided through the termination date plus certain cancellation charges, if any, as defined in each of the respective agreements. In addition, these agreements may, from time to time, be subjected to amendments as a result of any change orders executed by the parties. As of December 31, 2018, we had the following contractual commitments:

		Payment Due By Period		
		Less than	1 -	3 -	More than
	Total	1 Year	3 Years	5 Years	5 Years
	(in thousands)				
Facilities lease (1)	$ 40,459	$ 9,321	$ 19,776	$ 11,362	$ —

(1) In December 2014, we entered into a sublease agreement, which was amended in 2017, with an unrelated third party to lease up a portion of the research and office space. The facilities lease obligations above do not include the sublease income of approximately $18.2 million which we expect to receive over the term of the sublease through January 2023.

We are also subject to claims related to the patent protection of certain of our technologies, as well as purported securities class action lawsuit, other litigations, and other contractual agreements. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities in which we invest may have market risk. This means that a change in prevailing interest rates may cause the fair value amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then prevailing rate and the prevailing interest rate later rises, the market value amount of our investment will decline. To minimize this risk, we maintain our portfolio of cash equivalents and short term investments in a variety of

securities, including money market funds and government and non government debt securities and the maturities of each of these instruments is less than one year. In 2018, we maintained an investment portfolio primarily in money market funds, U.S. treasury bills, government sponsored enterprise securities, and corporate bonds and commercial paper. Due to the primarily short term nature and low interest rate yields of these investments, we believe we do not have a material exposure to interest rate risk and market risk arising from our investments. Therefore, no quantitative tabular disclosure is provided.

We have operated primarily in the United States, and all funding activities with our contract research organizations to date have been made in U.S. dollars. Accordingly, we have not had any significant exposure to foreign currency rate fluctuations.

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS

Rigel Pharmaceuticals, Inc.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Rigel Pharmaceuticals, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Rigel Pharmaceuticals, Inc. (the Company) as of December 31, 2018 and 2017, the related statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1998.

Redwood City, California
February 28, 2019

73

Table of Contents

RIGEL PHARMACEUTICALS, INC.

BALANCE SHEETS

(In thousands, except share and per share amounts)

	December 31, 2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 76,322	$ 38,290
Short-term investments	52,215	77,461
Accounts receivable, net	4,077	—
Inventories	894	—
Prepaid and other current assets	3,479	1,682
Total current assets	136,987	117,433
Property and equipment, net	1,387	875
Other assets	735	803
	$ 139,109	$ 119,111
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 6,391	$ 2,636
Accrued compensation	9,952	7,059
Accrued research and development	6,763	5,028
Other accrued liabilities	3,598	3,330
Deferred revenue, current portion	1,030	—
Deferred liability – sublease, current portion	—	284
Total current liabilities	27,734	18,337
Long-term portion of deferred revenue	1,408	—
Long-term portion of deferred rent	90	90
Other long-term liabilities	—	38
Commitments		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of December 31, 2018 and 2017	—	—
Common stock, $0.001 par value; 400,000,000 shares authorized; 167,171,505 and 146,814,906 shares issued and outstanding as of December 31, 2018 and 2017, respectively	167	147
Additional paid-in capital	1,319,068	1,239,435
Accumulated other comprehensive loss	(24)	(82)
Accumulated deficit	(1,209,334)	(1,138,854)
Total stockholders' equity	109,877	100,646

	$ 139,109	$ 119,111

See accompanying notes.

Table of Contents

RIGEL PHARMACEUTICALS, INC.

STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Product sales, net	$ 13,947	$ —	$ —
Contract revenues from collaborations	30,562	4,484	20,383
Total revenues	44,509	4,484	20,383
Costs and expenses:			
Cost of product sales	287	—	—
Research and development	46,903	46,269	63,446
Selling, general and administrative	70,002	37,831	20,908
Restructuring charges	—	—	5,770
Total costs and expenses	117,192	84,100	90,124
Loss from operations	(72,683)	(79,616)	(69,741)
Interest income	2,203	892	437
Gain on disposal of assets	—	732	88
Net loss	$ (70,480)	$ (77,992)	$ (69,216)
Net loss per share, basic and diluted	$ (0.44)	$ (0.62)	$ (0.73)
Weighted average shares used in computing net loss per share, basic and diluted	160,529	126,324	94,387

See accompanying notes.

Table of Contents

RIGEL PHARMACEUTICALS, INC.

STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Net loss	$ (70,480)	$ (77,992)	$ (69,216)
Other comprehensive income (loss):			
Net unrealized gain (loss) on short-term investments	58	(64)	26
Comprehensive loss	$ (70,422)	$ (78,056)	$ (69,190)

See accompanying notes.

Table of Contents

RIGEL PHARMACEUTICALS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income	Accumulated	Total Stockholders'
	Shares	Amount	Capital	(Loss)	Deficit	Equity
Balance at January 1, 2016	90,554,589	91	1,082,980	(44)	(991,646)	91,381
Net loss	—	—	—	—	(69,216)	(69,216)
Net change in unrealized gain on short-term investments	—	—	—	26	—	26
Issuance of common stock upon exercise of options and participation in Purchase Plan	819,266	1	1,597	—	—	1,598
Issuance of common stock, net of offering costs	7,895,563	8	23,398	—	—	23,406
Stock compensation expense	—	—	7,832	—	—	7,832
Balance at December 31, 2016	99,269,418	100	1,115,807	(18)	(1,060,862)	55,027
Net loss	—	—	—	—	(77,992)	(77,992)
Net change in unrealized loss on short-term investments	—	—	—	(64)	—	(64)
Issuance of common stock upon exercise of options and participation in Purchase Plan	1,564,395	1	3,507	—	—	3,508
Issuance of common stock, net of offering costs	45,981,093	46	114,134	—	—	114,180
Stock compensation expense	—	—	5,987	—	—	5,987
	146,814,906	147	1,239,435	(82)	(1,138,854)	100,646

Balance at December 31, 2017						
Net loss	—	—	—	—	(70,480)	(70,480)
Net change in unrealized loss on short-term investments	—	—	—	58	—	58
Issuance of common stock upon exercise of options and participation in Purchase Plan	1,956,599	2	4,730	—	—	4,732
Issuance of common stock, net of offering costs	18,400,000	18	67,144	—	—	67,162
Stock compensation expense	—	—	7,759	—	—	7,759
Balance at December 31, 2018	167,171,505	$ 167	$ 1,319,068	$ (24)	$ (1,209,334)	$ 109,877

See accompanying notes.

Table of Contents

RIGEL PHARMACEUTICALS, INC.

STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net loss	$ (70,480)	$ (77,992)	$ (69,216)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation expense	7,704	5,987	7,333
Gain on disposal of assets	—	(732)	(88)
Loss on sublease	—	495	—
Depreciation and amortization	594	465	941
Non-cash restructuring charges	—	—	818
Net amortization of premium (discount) on short-term investment	(766)	(350)	115
Changes in assets and liabilities:			
Accounts receivable, net	(4,077)	—	203
Inventories	(839)	—	—
Prepaid and other current assets	(1,797)	(197)	1,097
Other assets	68	130	167
Accounts payable	3,755	(2,947)	2,800
Accrued compensation	2,893	2,974	(2,166)
Accrued research and development	1,735	(853)	928
Other accrued liabilities	269	2,236	(100)
Deferred revenue	2,437	—	(13,427)
Deferred rent and other long term liabilities	(322)	(6,773)	(5,294)
Net cash used in operating activities	(58,826)	(77,557)	(75,889)
Investing activities			
Purchases of short-term investments	(77,996)	(116,861)	(103,053)
Maturities of short-term investments	104,066	96,820	128,650
Proceeds from disposal of assets	—	732	88
Capital expenditures	(1,106)	(164)	(804)
Net cash provided by (used in) investing activities	24,964	(19,473)	24,881
Financing activities			
Net proceeds from issuances of common stock upon exercise of options and participation in employee stock purchase plan	4,732	3,508	1,598
Proceeds from sale and issuance of common stock, net of offering costs	67,162	114,180	23,586
Net cash provided by financing activities	71,894	117,688	25,184
Net increase (decrease) in cash and cash equivalents	38,032	20,658	(25,824)
Cash and cash equivalents at beginning of period	38,290	17,632	43,456
Cash and cash equivalents at end of period	$ 76,322	$ 38,290	$ 17,632

See accompanying notes.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS

In this Annual Report on Form 10 K, “Rigel,” “we,” “us” and “our” refer to Rigel Pharmaceuticals, Inc. and “common stock” refers to Rigel’s common stock, par value $0.001 per share.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and basis of presentation

We were incorporated in the state of Delaware on June 14, 1996. We are a biotechnology company dedicated to discovering, developing and providing novel small molecule drugs that significantly improve the lives of patients with immune and hematologic disorders, cancer and rare diseases. Our pioneering research focuses on signaling pathways that are critical to disease mechanisms.

Our first FDA approved product, TAVALISSE® (fostamatinib disodium hexahydrate), an oral SYK inhibitor, for the treatment of adult patients with chronic ITP who have had an insufficient response to a previous treatment, was approved by the FDA in April 2018, which we launched in May 2018.

Our current clinical programs include an upcoming Phase 3 study of fostamatinib in AIHA and an ongoing Phase 1 study for our IRAK program. In addition, we have product candidates in development with partners BerGenBio, Daiichi, and Aclaris.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions made by management include those relating to revenue recognition on product sales and collaboration agreements, recoverability of our assets, including accounts receivables and inventories, stock-based compensation and the probability of achievement of corporate performance-based milestone for our performance-based stock option awards, impairment issues, the estimated useful life of assets, and estimated accruals, particularly research and development accruals, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. To the extent there are material differences between these estimates and actual results, our financial statements will be affected.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. We determine the cost of inventories using the standard cost method, which approximates actual cost based on a FIFO basis. Inventories consist primarily of third-party manufacturing costs and allocated internal overhead costs. We began capitalizing inventory costs associated with our product upon regulatory approval when, based on management's judgment, future commercialization was considered probable and the future economic benefit was expected to be realized.

Prior to FDA approval of TAVALISSE, all manufacturing costs were charged to research and development expense in the period incurred. At December 31, 2018, our physical inventory included active pharmaceutical product of which costs have been previously charged to research and development expense. However, manufacturing of drug product, finished bottling and other labeling activities that occurred post FDA approval are included in the inventory value at December 31, 2018.

We provide reserves for potential excess, dated or obsolete inventories based on an analysis of forecasted demand compared to quantities on hand and any firm purchase orders, as well as product shelf life. At December 31,

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

2018, we have reserved $94,000 due to excess inventories.

Cost of Product Sales

Cost of product sales consists of third-party manufacturing costs, transportation and freight, and indirect overhead costs associated with the manufacture and distribution of TAVALISSE. A portion of the cost of producing the product sold to date was expensed as research and development prior to the NDA approval for TAVALISSE and therefore is not included in the cost of product sales during this period.

Accounts Receivable

Accounts receivable are recorded net of customer allowances for prompt payment discounts and any allowance for doubtful accounts. We estimate the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its customers and individual customer circumstances. As of December 31, 2018 and 2017, we have determined that an allowance for doubtful accounts is not required.

Revenue Recognition

We recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine whether arrangements are within the scope of this new guidance, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation. We apply the five-step model to contracts when it is probable that the we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of this new guidance, we assess the goods or services promised within each contract and identify, as a performance obligation, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Product Sales

Revenues from product sales are recognized when the SDs, who are our customers, obtain control of our product, which occurs at a point in time, upon delivery to such SDs. These SDs subsequently resell our products to specialty pharmacy providers, health care providers, hospitals and clinics. In addition to distribution agreements with these SDs, we also enter into arrangements with specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of our products.

Under the new revenue recognition guidance, we are required to estimate the transaction price, including variable consideration that is subject to a constraint, in our contracts with our customers. Variable considerations are included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Revenue from product sales are recorded net of certain variable considerations which includes estimated government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions.

Provisions for returns and other adjustments are provided for in the period the related revenue is recorded. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our estimates, we will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following are our significant categories of sales discounts and allowances:

Sales Discounts. We provide our customers prompt payment discounts that are explicitly stated in our contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized.

Product Returns. We offer our SDs a right to return product purchased directly from us, which is principally based upon the product's expiration date. Product return allowances are estimated and recorded at the time of sale.

Government Rebates: We are subject to discount obligations under the state Medicaid programs and Medicare prescription drug coverage gap program. We estimate our Medicaid and Medicare prescription drug coverage gap rebates based upon a range of possible outcomes that are probability-weighted for the estimated payor mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability that is included as part of Other Accrued Liabilities account in the Balance Sheet. Our liability for these rebates consists primarily of estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period.

Chargebacks and Discounts: Chargebacks for fees and discounts represent the estimated obligations resulting from contractual commitments to sell products to certain specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities at prices lower than the list prices charged to our SDs who directly purchase the product from us. These SDs charge us for the difference between what they pay for the product and our contracted selling price to these specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue. Actual chargeback amounts are generally determined at the time of resale to the specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities by our SDs. The estimated obligations arising from these chargebacks and discounts are included as part of Other Accrued Liabilities in the balance sheet.

Co-Payment Assistance: We offer co-payment assistance to commercially insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that we expect to receive associated with product that has been recognized as revenue.

Contract Revenues from Collaborations

In the normal course of business, we conduct research and development programs independently and in connection with our corporate collaborators, pursuant to which we license certain rights to our intellectual property to third parties. The terms of these arrangements typically include payment to us for a combination of one or more of the following: upfront license fees; development, regulatory and commercial milestone payments; product supply services; and royalties on net sales of licensed products.

Upfront License Fees: If the license to our intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, we recognize revenues from upfront license fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, we determine whether the combined performance obligation is satisfied over time or at a point in time. If the combined performance obligation is satisfied over time, we use judgment in determining the appropriate method of measuring progress for purposes of recognizing revenue from the up-front license fees. We evaluate the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

Development, Regulatory or Commercial Milestone Payments: At the inception of each arrangement that includes payments based the achievement of certain development, regulatory and commercial or launch events, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our or the licensee’s control, such as regulatory approvals, are not considered probable of being achieved until uncertainty associated with the approvals has been resolved. The transaction price is then allocated to each performance obligation, on a relative standalone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, we re-evaluate the probability of achieving such development and regulatory milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, and recorded as part of contract revenues from collaborations during the period of adjustment.

Product Supply Services: Arrangements that include a promise for future supply of drug product for either clinical development or commercial supply at the licensee’s discretion are generally considered as options. We assess if these options provide a material right to the licensee and if so, they are accounted for as separate performance obligations.

Sales-based Milestone Payments and Royalties: For arrangements that include sales-based royalties, including milestone payments based on the volume of sales, we determine whether the license is deemed to be the predominant item to which the royalties or sales-based milestones relate to and if such is the case, we recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Stock award plans

On May 16, 2018, our stockholders approved the adoption of the Company’s 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan is the successor plan to the 2011 Equity Incentive Plan, the 2000 Equity Incentive Plan, and the 2000 Non-Employee Directors' Stock Option Plan.

As of December 31, 2018, we have two stock option plans, our 2018 Plan and the Inducement Plan (collectively, the Equity Incentive Plans), that provide for granting to our officers, directors and all other employees and consultants options to purchase shares of our common stock. We also have our Employee Stock Purchase Plan (Purchase Plan), wherein eligible employees can purchase shares of our common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model which

considered our stock price, as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, volatility, expected term, risk-free interest rate and dividends. We estimate volatility over the expected term of the option using historical share price performance. For expected term, we take into consideration our historical data of options exercised, cancelled and expired. The risk-free rate is based on the U.S. Treasury constant maturity rate. We have not paid and do not expect to pay dividends in the foreseeable future. We use the straight-line attribution method over the requisite employee service period for the entire award in recognizing stock-based compensation expense. We account for forfeitures as they occur.

We granted performance-based stock options to purchase shares of our common stock which will vest upon the achievement of certain corporate performance-based milestones. We determined the fair values of these performance-based stock options using the Black-Scholes option pricing model at the date of grant. For the portion of the performance-based stock options of which the performance condition is considered probable of achievement, we recognize stock-based compensation expense on the related estimated grant date fair values of such options on a straight-line basis from the date of grant up to the date when we expect the performance condition will be achieved. For the

Table of Contents

performance conditions that are not considered probable of achievement at the grant date or upon quarterly re-evaluation, prior to the event actually occurring, we recognize the related stock-based compensation expense when the event occurs or when we can determine that the performance condition is probable of achievement. In those cases, we recognize the change in estimate at the time we determine the condition is probable of achievement (by recognizing stock-based compensation expense as cumulative catch-up adjustment as if we had estimated at the grant date that the performance condition would have been achieved) and recognize the remaining compensation cost up to the date when we expect the performance condition will be achieved, if any.

Cash, cash equivalents and short-term investments

We consider all highly liquid investments in debt securities with maturity from the date of purchase of 90 days or less to be cash equivalents. Cash equivalents consist of money market funds, U.S. treasury bills, corporate bonds and commercial paper and investments in government sponsored enterprises. Our short-term investments include U.S. treasury bills, obligations of government sponsored enterprises and corporate bonds and commercial paper. By policy, we limit the concentration of credit risk by diversifying our investments among a variety of high credit quality issuers. We view our short-term investments portfolio as available for use in current operations. Accordingly, we have classified certain securities as short-term investments on our balance sheet even though the stated maturity date of these securities may be more than one year from the current balance sheet date.

All cash equivalents and short term investments are classified as available for sale securities. Available for sale securities are carried at fair value at December 31, 2018 and 2017. Unrealized gains (losses) are reported in the statements of stockholders' equity and comprehensive loss. Fair value is estimated based on available market information or valuation methodologies. The cost of securities sold is based on the specific identification method. See Note 7 for a summary of available-for-sale securities at December 31, 2018 and 2017.

Fair value of financial instruments

The carrying values of cash, accounts receivable, prepaid and other current assets, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of those instruments. Cash equivalents and short-term investments are carried at fair value at December 31, 2018 and 2017.

Concentration of credit risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term investments and accounts receivable. Cash equivalents and short-term investments primarily consist of money market funds, U.S. treasury bills, government-sponsored enterprise securities, and corporate bonds and commercial paper. Due to the short-term nature of these investments, we believe we do not have a material exposure to credit risk arising from our investments. All cash and cash equivalents and short-term investments are maintained with financial institutions that management believes are creditworthy.

Concentrations of credit risk with respect to accounts receivable are limited due to our limited number of customers.

Property and equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight line method over the estimated useful lives of the assets, which range from three to seven years.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

Research and development expenses

Research and development expenses include costs for scientific personnel, supplies, equipment, consultants, research sponsored by us, allocated facility costs, costs related to pre clinical and clinical trials, including raw materials, and stock based compensation expense. All such costs are charged to research and development expense as incurred and at the time raw materials are purchased.

Research and development accruals

We have various contracts with third parties related to our research and development activities. Costs that are incurred but not billed to us as of the end of the period are accrued. We make estimates of the amounts incurred in each period based on the information available to us and our knowledge of the nature of the contractual activities generating such costs. Clinical trial contract expenses are accrued based on units of activity. Expenses related to other research and development contracts, such as research contracts, toxicology study contracts and manufacturing contracts are estimated to be incurred generally on a straight-line basis over the duration of the contracts. Raw materials and study materials not related to our approved drug, purchased for us by third parties are expensed at the time of purchase.

Leases

We currently lease our research and office space under a noncancelable lease agreement with our landlord through 2023. In December 2014, we entered into a sublease agreement with an unrelated third party to occupy a portion of our research and office space through 2023. We record rent expense on a straight line basis for our lease, net of sublease income, wherein such arrangements contain scheduled rent increases over the term of the lease and sublease, respectively. We classify our lease and sublease as operating lease.

Income taxes

We use the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period the change is enacted. A valuation allowance is established to reduce deferred tax assets to an amount whose realization is more likely than not.

Net loss per share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period and the number of additional shares of common stock that would have been outstanding if potentially dilutive securities had been issued. Potentially dilutive securities

include warrant and stock options and shares issuable under our Purchase Plan. The dilutive effect of these potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of our common stock can result in a greater dilutive effect from potentially dilutive securities.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2018	2017	2016
EPS Numerator:			
Net loss	$ (70,480)	$ (77,992)	$ (69,216)
EPS Denominator—Basic and Diluted:			
Weighted-average common shares outstanding	160,529	126,324	94,387
Net loss per common share:			
Basic and diluted	$ (0.44)	$ (0.62)	$ (0.73)

During the periods presented, we had securities which could potentially dilute basic loss per share, but were excluded from the computation of diluted net loss per share for all periods presented, as their effect would have been antidilutive. These securities consist of the following (in thousands except per share data):

	December 31,		
	2018	2017	2016
Outstanding stock options	20,713	20,408	20,257
Warrant to purchase common stock	—	—	32
Weighted average exercise price of options	$ 4.20	$ 5.45	$ 6.25
Weighted average exercise price of warrant	$ —	$ —	$ 6.61

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09—Revenue from Contracts with Customers, which supersedes the revenue recognition requirements under ASC Topic 605, Revenue Recognition, and most industry-specific guidance under the ASC. Prior to January 1, 2018, our revenues have been derived from license and collaboration agreements. The consideration we are eligible to receive under these agreements includes upfront payments, progress dependent contingent payments on events achieved by our collaboration partners, and royalties on net sales of products sold by such partners under the agreements. ASU No. 2014-09 differs from the previous accounting standard in many respects, such as in the accounting for variable consideration, including milestone payments or contingent payments. Under our previous accounting policy, we recognized contingent payments as revenue in the period that the payment-triggering event occurred or is achieved. However, under the new accounting standard, it is possible to start to recognize contingent payments before the payment-triggering event is completely achieved, subject to management’s assessment of whether it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We adopted this new standard on January 1, 2018 using the modified retrospective approach. Because all of the performance obligations for our outstanding collaboration agreements had been completed prior to December 31, 2017, and no product sales were recorded prior to adoption of this new standard, we did not record any adjustment on the opening balance of Accumulated Deficit as of January 1, 2018.

Under this new guidance, we recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine whether arrangements are within the scope of this new guidance, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy our performance obligation. We apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of this new guidance, we assess the goods or services promised within each contract and identify, as a performance obligation, and assess whether each

Table of Contents

promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

In February 2016, the FASB issued ASU No. 2016-02—Leases, (Topic 842) (ASU 2016-02), as amended, which generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, or ASU No. 2018-11. In issuing ASU No. 2018-11, the FASB is permitting another transition method for ASU 2016-02, which allows the transition to the new lease standard by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We will elect this transition method and the package of practical expedients permitted under the transition guidance, which allows us to carryforward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. We will also elect to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the statements of operations on a straight-line basis over the lease term. We will adopt this new standard on January 1, 2019 using a modified retrospective approach and are finalizing our assessment of the impact of the adoption of this new standard. We expect to record a right-of-use asset and a corresponding lease liability to account for our property and equipment lease as a cumulative-effect adjustment to the opening balance of accumulated deficit in the period of adoption.

In March 2018, the FASB issued ASU No. 2018-05—Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SAB 118), which provides guidance on accounting for the tax effects of the U.S. Tax Cuts and Jobs Act (Tax Act) that was enacted in December 2017. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting. In accordance with this guidance, we determined that $117.3 million of the deferred tax expense offset by a full valuation allowance recorded in connection with the remeasurement of certain deferred tax assets and liabilities was a provisional amount and a reasonable estimate at December 31, 2017. No changes have been made to these adjustments and our accounting for the impact of the Tax Act is now complete.

In August 2018, the FASB issued ASU 2018-13—Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which modifies the disclosure requirements on fair value measurements. This guidance is effective for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. We are currently evaluating the impact of adoption of this new standard on our related disclosures.

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. These amendments eliminate, modify, or integrate into other SEC requirements certain disclosure rules. Among the amendments is the requirement to present an analysis of changes in stockholders' equity in the interim financial statements included in quarterly reports on Form 10-Q. The analysis, which can be presented as a footnote or separate statement, is required for the current and comparative quarter and year-to-date interim periods. The amendments are effective for all filings made on or after November 5, 2018. In light of the anticipated timing of effectiveness of the amendments and expected proximity of effectiveness to the filing date for most filers' quarterly reports, the SEC's Division of Corporate Finance issued a Compliance and Disclosure Interpretation related to Exchange Act Forms, or CDI – Question 105.09, that provides transition guidance related to this disclosure requirement. CDI – Question 105.09 states that the SEC would not object if the filer's first presentation of the changes in shareholders' equity is included in its Form 10-Q for the quarter that begins after the effective date of the amendments. As such, we adopted these SEC amendments on November 5, 2018 and will present the analysis of changes in stockholders' equity in our interim financial statements in our March 31, 2019 Form 10-Q. We do not anticipate that the adoption of these SEC amendments will have a material effect on our financial statements other than the disclosures noted above.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

In November 2018, the FASB issued ASU 2018-18—Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This standard provides guidance on the interaction between Revenue Recognition (Topic 606) and Collaborative Arrangements (Topic 808) by aligning the unit of account guidance between the two topics and clarifying whether certain transactions between collaborative participants should be accounted for as revenue under Topic 606. ASU 2018-18 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. We plan to adopt this new standard on January 1, 2020. We are currently evaluating the impact ASU 2018-18 will have on our financial statements and related disclosures, but do not expect it to have a material impact on our financial statements.

2. REVENUES

Revenues disaggregated by category were as follows (in thousands):

	December 31,		
	2018	2017	2016
Product sales:			
Gross product sales	$ 16,953	$ —	$ —
Discounts and allowances	(3,006)	—	—
Product sales, net	$ 13,947	$ —	$ —
Revenues from collaborations:			
License revenues	30,562	$ 250	—
Development milestones	—	4,234	20,093
Research and development services	—	—	290
Total revenues from collaboration	30,562	4,484	20,383
Total revenues	$ 44,509	$ 4,484	$ 20,383

The following table summarizes revenues from each of our customers who individually accounted for 10% or more of our total revenues (as a percentage of total revenues):

	December 31,		
	2018	2017	2016

Kissei	69%	—	—
ASD Healthcare and Oncology Supply	17%	—	—
McKesson Specialty Care Distribution Corporation	11%	—	—
BerGenBio	—	74%	18%
BMS	—	—	82%
Others	3%	26%	—

Our first and only FDA approved product, TAVALISSE®, was approved by the U.S. FDA in April 2018. We commenced commercial sale of TAVALISSE in the U.S. in May 2018. There were no product sales during the years ended December 31, 2017 and 2016.

In addition to the distribution agreements with our customers, the SDs, we also enter into arrangements with specialty pharmacy providers, in-office dispensing providers, group purchasing organizations, and government entities that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of our products which reduced our gross product sales. Also refer to Revenue Recognition policy discussion in Note 1.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following tables summarize activity in each of the product revenue allowances and discounts during the year ended December 31, 2018 (in thousands):

	Chargebacks, Discounts and Fees	Government and Other Rebates	Returns	Total
Balance at January 1, 2018	$ —	$ —	$ —	$ —
Provision related to current period sales	1,484	1,068	170	2,722
Adjustment related to prior period sales	—	—	—	—
Credit or payments made during the period	(861)	(225)	—	(1,086)
Balance at December 31, 2018	$ 623	$ 843	$ 170	$ 1,636

The above provisions, which represent our contract liability as of December 31, 2018, are included as part of Other Accrued Liabilities in the balance sheet.

3. SPONSORED RESEARCH AND LICENSE AGREEMENTS

We conduct research and development programs independently and in connection with our corporate collaborators. As of December 31, 2018, we are a party to a collaboration agreement with ongoing performance obligations, with Kissei for the development and commercialization of fostamatinib in Japan, China, Taiwan and the Republic of Korea. As of December 31, 2018, we are also a party to collaboration agreements, but do not have ongoing performance obligations with Aclaris for the development and commercialization of JAK inhibitors for the treatment of alopecia areata and other dermatological conditions, AZ for the development and commercialization of R256, an inhaled JAK inhibitor, BerGenBio for the development and commercialization of AXL inhibitors in oncology, and Daiichi to pursue research related to MDM2 inhibitors, a novel class of drug targets called ligases.

Under these agreements, which we entered into in the ordinary course of business, we received or may be entitled to receive upfront cash payments, payments contingent upon specified events achieved by such partners and royalties on any net sales of products sold by such partners under the agreements. Total future contingent payments to us under all of these agreements could exceed $369.9 million if all potential product candidates achieved all of the payment triggering events under all of our current agreements (based on a single product candidate under each agreement). Of this amount, up to $58.0 million relates to the achievement of development events, up to $220.6 million relates to the achievement of regulatory events and up to $91.3 million relates to the achievement of certain commercial or launch events. This estimated future contingent amount does not include any estimated royalties that could be due to us if the partners successfully commercialize any of the licensed products. Future events that may trigger payments to us under

the agreements are based solely on our partners' future efforts and achievements of specified development, regulatory and/or commercial events.

Kissei License Agreement

In October 2018, we entered into an exclusive license and supply agreement with Kissei to develop and commercialize fostamatinib in all current and potential indications in Japan, China, Taiwan and the Republic of Korea. Kissei is responsible for performing and funding all development activities for fostamatinib in the above-mentioned territories. We received an upfront cash payment of $33.0 million with the potential for up to an additional $147.0 million in development, regulatory and commercial milestone payments, and will receive mid to upper twenty percent, tiered, escalated net sales-based payments for the supply of fostamatinib. Under the agreement, we are obligated to grant Kissei the license rights on fostamatinib on the territories above, as well as supply Kissei with drug product for use in clinical trials and pre-commercialization activities. We remain responsible for the manufacture and supply of fostamatinib for all development and commercialization activities under the agreement.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

We accounted for this agreement following ASC 606 and identified the following distinct performance obligations at inception of the agreement namely: (a) granting of the license, (b) supply of fostamatinib for clinical use and (c) material right associated with discounted fostamatinib that are supplied for use other than clinical or commercial. We concluded that the granting of the license is distinct relative to the other performance obligations. Moreover, we determined that the upfront fee of $33.0 million represents the transaction price and was allocated to the performance obligations based on our best estimate of the relative standalone selling price as follows: (a) for the license, we estimated the standalone selling price using the adjusted market assessment approach to estimate its standalone selling price in the licensed territories; (b) for the supply of fostamatinib and the material right associated with discounted fostamatinib, we estimated the standalone selling price using the cost plus expected margin approach. Variable considerations of $147.0 million related to future development and regulatory milestones was fully constrained due to the fact that it was probable that a significant reversal of cumulative revenue would occur, given the inherent uncertainty of success with these future milestones. We will recognize revenues related to the supply of fostamatinib and material right upon delivery of fostamatinib to Kissei. For sales-based milestones and royalties, we determined that the license is the predominant item to which the royalties or sales-based milestones relate to. Accordingly, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). We will re-evaluate the transaction price in each reporting period and as uncertain events are resolved or other changes in circumstances occur.

As of December 31, 2018, we have granted Kissei the license rights over fostamatinib. Accordingly, we recognized $30.6 million of the $33.0 million upfront fee as allocated revenue for the delivered license during the year ended December 31, 2018. At December 31, 2018, performance obligations related to the supply of fostamatinib and material right associated with discounted fostamatinib supply have not yet been satisfied. Accordingly, as of December 31, 2018, the allocated transaction price of $2.4 million on these two unsatisfied performance obligations were recorded as deferred revenue in the balance sheet.

BMS Collaboration Agreement

In February 2015, we entered into a collaboration agreement with BMS for the discovery, development and commercialization of cancer immunotherapies based on our extensive portfolio of small molecule TGF beta receptor kinase inhibitors. Under the collaboration agreement, BMS will have exclusive rights and will be solely responsible for the clinical development and commercialization of any products. Pursuant to the collaboration agreement with BMS, we received a noncreditable and non-refundable upfront payment of $30.0 million in March 2015. We were also entitled to receive development and regulatory contingent fees that could exceed $309.0 million for a successful compound approved in certain indications. In addition, we were eligible to receive tiered royalties on the net sales of any products from the collaboration. BMS also agreed to reimburse us for agreed upon costs based on a contractual cost per full-time equivalent employee in connection with the performance of research activities during the research

term. Under the collaboration agreement, we were obligated to provide the following deliverables: (i) granting of license rights to our program, (ii) participation in the Joint Research Committee, and (iii) performance of research activities. We concluded that these deliverables were a single unit of accounting as the license did not have stand-alone value apart from the other deliverables. Accordingly, the $30.0 million upfront payment was recognized ratably as revenue from the effective date of the agreement and was fully amortized in September 2016, the end of the research term. We believed that straight-line recognition of this revenue was appropriate as the research was performed ratably over the research period. During the year ended December 31, 2016, we recognized revenue of $13.4 million relating to the upfront payment and $290,000 and relating to the research activities we performed. As of September 30, 2016, all deliverables under the agreement had been delivered. In November 2016, we were notified by BMS that it has designated one compound as an early drug candidate and received $3.0 million in December 2016, triggered by this development event. In July 2018, BMS notified us that they will discontinue their participation in the preclinical collaboration of cancer immunotherapies based on our small molecule TGF beta receptor kinase inhibitors which originally commenced in 2015. The agreement was terminated in August 2018.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

BerGenBio License Agreement

In June 2011, we entered into an exclusive license agreement with BerGenBio for the development and commercialization of an oncology program. BerGenBio is responsible for all activities it wishes to perform under the license we granted to it. In February 2017, we received $3.3 million from BerGenBio as a result of BerGenBio advancing BGB324, an AXL kinase inhibitor licensed under the agreement, to a Phase 2 clinical study. In June 2016, we received contingent payments of $1.7 million relating to a time-based non-refundable fee and $2.0 million relating to BerGenBio's exercise of certain option rights before the prescription period to exercise the rights expired. All deliverables under the agreement had been previously delivered, as such, the above payments of $3.3 million in 2017 and $3.7 million in 2016, triggered by the above time-based and contingent events were recognized as revenue during the years ended December 31, 2017 and 2016, respectively.

4. INVENTORIES

The following table summarizes inventories, net as of December 31, 2018 and 2017 (in thousands):

	December 31,	
	2018	2017
Work in process	$ 530	$ —
Finished goods	364	—
Total	$ 894	$ —

5. SIGNIFICANT CONCENTRATIONS

We recognize revenue on collaborations in the U.S. and abroad and on products sold solely in the U.S. For the year ended December 31, 2018, Kissei and our three specialty distributors (see Note 2) accounted for 69% and 31% of our total revenues, respectively. For the year ended December 31, 2017, BerGenBio and another unrelated third party accounted for 74% and 26% of our total revenues, respectively. For the year ended December 31, 2016, BMS and BerGenBio accounted for 82% and 18% of our revenues, respectively. As of December 31, 2018, 100% of our accounts receivables are from three customers. We had no accounts receivable as of December 31, 2017.

6. STOCK BASED COMPENSATION

Total stock based compensation expense related to all of our stock based awards was as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Selling, general and administrative	$ 5,383	$ 4,490	$ 4,230
Research and development	2,321	1,497	3,103
Restructuring charges	—	—	499
Total stock-based compensation expense	$ 7,704	$ 5,987	$ 7,832

In 2017 and 2016, we entered into severance agreements. As part of the severance arrangements we offered, we extended the date through which certain employee(s) had the right to exercise their vested options. In addition, we also accelerated the vesting period of certain unvested stock options. As a result of these modifications, we recorded an incremental stock-based compensation expense of approximately $1.4 million and $1.1 million during the years ended December 31, 2017 and 2016, respectively. The incremental compensation expenses were computed based on the fair values of the modified awards on the respective modification dates. These amounts are included as part of “Selling, general and administrative expense” in the accompanying 2017 Statement of Operations and “selling, general and administrative expense” and “Restructuring charges” in the accompanying 2016 Statement of Operations.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

Employee Stock Option Plans

On May 16, 2018, our stockholders approved the adoption of the Company's 2018 Equity Incentive Plan (2018 Plan). The 2018 Plan is the successor plan to the 2011 Equity Incentive Plan, the 2000 Equity Incentive Plan, and the 2000 Non-Employee Directors' Stock Option Plan. As of December 31, 2018, we have two stock option plans, our 2018 Plan and the Inducement Plan. The 2018 Plan provides for granting to our officers, directors and all other employees and consultants options to purchase shares of our common stock. The Inducement Plan is intended mainly to provide an inducement material for certain individuals to enter into employment with the Company.

Options granted under our 2018 Plan expire no later than 10 years from the date of grant. Options may be granted with different vesting terms from time to time. As of December 31, 2018, a total of 34,174,470 shares of common stock were authorized for issuance under the 2018 Plan. Options granted under our Inducement Plan expire no later than 10 years from the date of grant and may be granted with different vesting terms from time to time. As of December 31, 2018, a total of 1,635,875 shares of common stock were authorized for issuance under the Inducement Plan.

The fair value of each option award is estimated on the date of grant using the Black Scholes option pricing model. We have segregated option awards into the following three homogenous groups for the purposes of determining fair values of options: officers and directors, all other employees, and consultants. We account for forfeitures as they occur.

We determined weighted average valuation assumptions separately for each of these groups as follows:

- Volatility—We estimated volatility using the historical share price performance over the expected life of the option up to the point where we have historical market data. We also considered other factors, such as implied volatility, our current clinical trials and other company activities that may affect the volatility of our stock in the future. We determined that at this time historical volatility is more indicative of our expected future stock performance than implied volatility.
- Expected term—For options granted to consultants, we use the contractual term of the option, which is generally 10 years, for the initial valuation of the option and the remaining contractual term of the option for the succeeding periods. We analyzed various historical data to determine the applicable expected term for each of the other option groups. This data included: (1) for exercised options, the term of the options from option grant date to exercise date; (2) for cancelled options, the term of the options from option grant date to cancellation date, excluding nonvested option forfeitures; and (3) for options that remained outstanding at the balance sheet date, the term of the options from option grant date to the end of the reporting period and the estimated remaining term of the options. The consideration and calculation of the above data gave us reasonable estimates of the expected term for each employee group. We also considered the vesting schedules of the options granted and factors surrounding exercise behavior of the option groups, our current market price and company activity that may affect our market price. In addition, we considered the optionee type (i.e., officers and directors or all other employees) and other factors that may affect the expected term of the option.

- Risk free interest rate—The risk free interest rate is based on U.S. Treasury constant maturity rates with similar terms to the expected term of the options for each option group.
- Dividend yield—The expected dividend yield is 0% as we have not paid and do not expect to pay dividends in the future.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following table summarizes the weighted average assumptions relating to options granted pursuant to our equity incentive plans for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Risk-free interest rate	2.7 %	2.2 %	1.8 %
Expected term (in years)	6.7	6.6	6.2
Dividend yield	0.0 %	0.0 %	0.0 %
Expected volatility	65.1 %	63.5 %	61.1 %

The exercise price of stock options granted under our stock plans is equal to the fair market value of the underlying shares on the date of grant. Options become exercisable at varying dates and generally expire 10 years from the date of grant. At December 31, 2018, options to purchase 15,097,014 shares of common stock were available for grant and 20,713,331 reserved shares of common stock were available for future issuance under our stock option plans.

Stock Based Compensation Award Activity

Option activity under our equity incentive plans was as follows:

	Shares Available For Grant	Number of Shares Underlying Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2018	11,696,696	20,408,140	$ 5.45		
Authorized for grant	4,878,124	—			
Granted	(4,594,225)	4,594,225	$ 4.19		
Exercised	—	(1,172,615)	$ 2.75		
Cancelled	3,116,419	(3,116,419)	$ 12.87		
	15,097,014	20,713,331	$ 4.20	5.96	$ 701,842

Outstanding at December 31, 2018				
Vested and expected to vest at December 31, 2018	20,513,331	$ 4.21		
Exercisable at December 31, 2018	14,750,561	$ 4.39	4.84	$ 580,787

We granted options to purchase 4,594,225, 4,048,675 and 5,251,185 shares of common stock during the years ended December 31, 2018, 2017 and 2016, respectively. The weighted average grant date fair value of options granted during 2018, 2017 and 2016 was $2.66, $1.48 and $1.72, respectively. As of December 31, 2018, we had 200,000 shares of outstanding performance-based stock option wherein the achievement of the corresponding corporate-based milestones were not considered as probable. Accordingly, none of the stock-based compensation expense of $385,000 has been recognized as expense as of December 31, 2018.

As of December 31, 2018, there were approximately $10.9 million of unrecognized stock-based compensation cost related to time-based stock options and performance-based stock options, wherein achievement of the corresponding corporate-based milestones was considered as probable. Additionally, approximately $1.1 million of total unamortized stock-based compensation cost related to our Purchase Plan. The unamortized compensation costs related to our stock option plans and our Purchase Plan are expected to be recognized over a weighted average period of approximately 2.6 years and 0.8 years, respectively. For the years ended December 31, 2018 and 2017, there were 2,924,823 and 2,844,690 shares vested, respectively, with weighted average exercise price of $2.88 and $2.86, respectively.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The aggregate intrinsic value of the stock options in the table above is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for the options that were in the money at December 31, 2018. At December 31, 2018 and 2017, we had 5,962,769 and 4,665,624, respectively, of nonvested stock options, with approximately $121,000 and $5.4 million intrinsic value at December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, aggregate intrinsic value of options exercised under our stock option plans was approximately $1.3 million and $1.2 million, respectively, determined as of the date of the stock option exercise.

Details of our stock options by exercise price are as follows as of December 31, 2018:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Outstanding Options	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
$1.68 - $2.14	3,879,555	6.68	$ 2.12	3,278,782	$ 2.12
$2.15 - $2.76	3,344,004	6.92	2.61	2,756,548	2.65
$2.77 - $3.67	3,532,086	6.12	3.49	2,433,716	3.48
$3.68 - $4.49	4,893,668	8.79	4.25	1,217,498	4.10
$4.50 - $7.60	3,326,279	1.94	6.57	3,326,279	6.57
$7.61 - $9.80	1,737,739	1.97	8.71	1,737,739	8.71
$1.68 - $9.80	20,713,331	5.96	4.20	14,750,562	4.39

Employee Stock Purchase Plan

Our Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. The price at which the stock is purchased is equal to the lesser of 85% of the fair market value of the common stock on the first day of the offering or 85% of the fair market value of our common stock on the purchase date. The initial offering period commenced on the effective date of our initial public offering. We issued 783,984, 403,302, and 482,746 shares of common stock during 2018, 2017 and 2016, respectively, pursuant to the Purchase Plan at an average price of $1.92, $1.87 and $1.89, respectively. For 2018, 2017 and 2016, the weighted average fair value of awards granted under our Purchase Plan was $1.27, $0.99 and $0.98, respectively. As of December 31, 2018, we had 1,331,584 reserved shares of common stock available for future issuance under the Purchase Plan.

The fair value of awards granted under our Purchase Plan is estimated on the date of grant using the Black Scholes option pricing model, which uses weighted average assumptions. Our Purchase Plan provides for a 24- month offering

period comprised of four six month purchase periods with a look back option. A look back option is a provision in our Purchase Plan under which eligible employees can purchase shares of our common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date. Our Purchase Plan also includes a feature that provides for a new offering period to begin when the fair market value of our common stock on any purchase date during an offering period falls below the fair market value of our common stock on the first day of such offering period. This feature is called a "reset." Participants are automatically enrolled in the new offering period. We had a "reset" on July 1, 2016 because the fair market value of our stock on June 30, 2016 was lower than the fair market value of our stock on January 5, 2015, the first day of the offering period. We applied modification accounting in accordance with ASC Topic No. 718, Stock Compensation, to determine the incremental fair value associated with this Purchase Plan "reset" and recognized the related stock based compensation expense according to FASB ASC Subtopic No. 718 50, Employee Share Purchase Plans. The total incremental fair value associated with this Purchase Plan "reset" was approximately $1.0 million which was recognized as expense during the period from July 1, 2016 to June 30, 2018. We had another "reset" on January 2, 2019 because the fair market value of our stock on December 31, 2018 was lower than the fair market value of our stock on July 1, 2018,

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

the first day of the offering period. We applied modification accounting in accordance with the relevant accounting guidance. The total incremental fair value associated with this Purchase Plan "reset" was approximately $879,000 and will be recognized as expense from the period from January 1, 2019 to December 31, 2020.

The following table summarizes the weighted average assumptions related to our Purchase Plan for the years ended December 31, 2018, 2017 and 2016. Expected volatilities for our Purchase Plan are based on the two year historical volatility of our stock. Expected term represents the weighted average of the purchase periods within the offering period. The risk free interest rate for periods within the expected term is based on U.S. Treasury constant maturity rates.

	Year Ended December 31,		
	2018	2017	2016
Risk-free interest rate	2.4 %	0.5 %	0.5 %
Expected term (in years)	1.3	1.5	1.5
Dividend yield	0.0 %	0.0 %	0.0 %
Expected volatility	66.2 %	63.1 %	62.9 %

7. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

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

	December 31,	
	2018	2017
Cash	$ 2,626	$ 582
Money market funds	9,106	2,795
U.S. treasury bills	—	6,726
Government-sponsored enterprise securities	7,872	7,826
Corporate bonds and commercial paper	108,933	97,822
	$ 128,537	$ 115,751
Reported as:		
Cash and cash equivalents	$ 76,322	$ 38,290
Short-term investments	52,215	77,461
	$ 128,537	$ 115,751

Cash equivalents and short-term investments included the following securities with gross unrealized gains and losses (in thousands):

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government-sponsored enterprise securities	$ 7,873	$ —	$ (1)	$ 7,872
Corporate bonds and commercial paper	108,957	2	(26)	108,933
Total	$ 116,830	$ 2	$ (27)	$ 116,805

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury bills	$ 6,733	$ —	$ (7)	$ 6,726
Government-sponsored enterprise securities	7,835	—	(9)	7,826
Corporate bonds and commercial paper	97,888	1	(67)	97,822
Total	$ 112,456	$ 1	$ (83)	$ 112,374

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

As of December 31, 2018, our cash equivalents and short-term investments, which have contractual maturities within one year, had a weighted average time to maturity of approximately 72 days. We view our short-term investments portfolio as available for use in current operations. We have the ability to hold all investments as of December 31, 2018 through their respective maturity dates. At December 31, 2018, we had no investments that had been in a continuous unrealized loss position for more than 12 months. As of December 31, 2018, a total of 31 individual securities had been in an unrealized loss position for 12 months or less and the losses were deemed to be temporary. The gross unrealized losses above were caused by interest rate increases. No significant facts or circumstances have arisen to indicate that there has been any deterioration in the creditworthiness of the issuers of the securities held by us. Based on our review of these securities, including the assessment of the duration and severity of the unrealized losses and our ability and intent to hold the investments until maturity, there were no other-than-temporary impairments for these securities at December 31, 2018.

The following table shows the fair value and gross unrealized losses of our investments in individual securities that are in an unrealized loss position, aggregated by investment category (in thousands):

December 31, 2018	Fair Value	Unrealized Losses
Government-sponsored enterprise securities	$ 2,473	$ (1)
Corporate bonds and commercial paper	47,972	(26)
Total	$ 50,445	$ (27)

8. FAIR VALUE

Under FASB ASC 820, Fair Value Measurements and Disclosures, fair value is defined as the price at which an asset could be exchanged or a liability transferred in a transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

Assets recorded at fair value in our financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets at the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair valued assets we hold that are generally included under this Level 1 are money market securities where fair value is based on publicly quoted prices.

Level 2—Are inputs, other than quoted prices included in Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the reporting date and for the duration of the instrument's anticipated life.

The fair valued assets we hold that are generally assessed under Level 2 included government sponsored enterprise securities, U.S. treasury bills and corporate bonds and commercial paper. We utilize third party pricing services in developing fair value measurements where fair value is based on valuation methodologies such as models using observable market inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers and other reference data. We use quotes from external pricing service providers and other on line quotation systems to verify the fair value of investments provided by our third-party pricing service

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

providers. We review independent auditor's reports from our third-party pricing service providers particularly regarding the controls over pricing and valuation of financial instruments and ensure that our internal controls address certain control deficiencies, if any, and complementary user entity controls are in place.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the reporting date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

We do not have fair valued assets classified under Level 3.

Fair Value on a Recurring Basis

Financial assets measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations (in thousands):

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 9,106	$ —	$ —	$ 9,106
Government-sponsored enterprise securities	—	7,872	—	7,872
Corporate bonds and commercial paper	—	108,933	—	108,933
Total	$ 9,106	$ 116,805	$ —	$ 125,911

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,795	$ —	$ —	$ 2,795
U.S. treasury bills	—	6,726	—	6,726
Government-sponsored enterprise securities	—	7,826	—	7,826
Corporate bonds and commercial paper	—	97,822	—	97,822
Total	$ 2,795	$ 112,374	$ —	$ 115,169

9. PROPERTY AND EQUIPMENT

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

	December 31,	
	2018	2017
Laboratory equipment	$ 11,317	$ 11,122
Computer and software	1,521	1,320
Furniture and equipment	1,403	711
Total property and equipment	14,241	13,153
Less accumulated depreciation and amortization	(12,854)	(12,278)
Property and equipment, net	$ 1,387	$ 875

During 2018 and 2017, we disposed of approximately $18,000 and $7.0 million, respectively, of fully depreciated assets.

Total depreciation and amortization expense were $594,000, $465,000 and $941,000 for the years ended December 31, 2018, 2017 and 2016, respectively. During the year ended December 31, 2016, we recognized an

Table of Contents

impairment loss on certain property and equipment of $319,000 (see Note 11) and recorded this as part of Restructuring Charges in the Statements of Operations.

10. LEASE AGREEMENTS

We currently lease our research and office space under a noncancelable lease agreement with our landlord, HCP BTC, LLC (formerly known as Slough BTC, LLC) which was originally set to expire in 2018. The lease term provides for renewal option for up to two additional periods of five years each. In July 2017, we exercised our option to extend the term of our lease for another five years through January 2023 and modified the amount of monthly base rent during such renewal period. We reevaluated our lease classification and continue to classify our lease as operating lease during the renewal period.

In December 2014, we entered into a sublease agreement, which was amended in 2017, with an unrelated third party to occupy approximately 57,000 square feet of our research and office space. In February 2017, we entered into an amendment to the sublease agreement to increase the subleased research and office space for an additional 9,328 square feet under the same term of the sublease. Effective July 2017, the sublease agreement was amended primarily to extend the term of the sublease through January 2023 and modified the monthly base rent to equal the amount we will pay our landlord. Because the future sublease income under the extended sublease agreement is the same as the amount we will pay our landlord, we did not recognize any loss on sublease relative to this amendment. We expect to receive approximately $18.2 million in future sublease income (excluding our subtenant’s share of facilities operating expenses) through January 2023.

We record rent expense on a straight-line basis for our lease, net of sublease income. For our sublease arrangement which we classified as an operating lease, our loss on the sublease was comprised of the present value of our future payments to our landlord less the present value of our future rent payments expected from our subtenant over the term of the sublease. Further, in conjunction with our facilities lease, we have previously issued to our landlord warrants to purchase our common stock. We have previously capitalized the fair value of these warrants at issuance as part of our other long-term assets and they were amortized up to January 31, 2018. The liability arising from this sublease agreement was determined using a credit-adjusted risk-free rate to discount the estimated future net cash flows. The changes in the liability related to the sublease agreement during the years ended December 31, 2018, 2017 and 2016 were as follows (in thousands):

Balance at January 1, 2016	$ 6,465
Accretion of deferred liability	357

Amortization of deferred liability	(3,362)
Balance at December 31, 2016	3,460
Increase in deferred liability	495
Accretion of deferred liability	157
Amortization of deferred liability	(3,828)
Balance at December 31, 2017	284
Accretion of deferred liability	2
Amortization of deferred liability	(286)
Balance at December 31, 2018	$ —

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

At December 31, 2018, future minimum lease payments and obligations under our noncancelable operating lease, net of expected sublease receipts, were as follows (in thousands):

For years ending December 31,	Operating Lease	Sublease Receipts	Net
2019	$ 9,321	$ (4,192)	$ 5,129
2020	9,694	(4,360)	5,334
2021	10,082	(4,534)	5,548
2022	10,485	(4,716)	5,769
2023	877	(394)	483
Total minimum payments required	$ 40,459	$ (18,196)	$ 22,263

Rent expense under our operating lease amounted to approximately $6.0 million, $6.9 million and $8.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. The rent expense during the years ended December 31, 2018, 2017 and 2016 were net of sublease income, subtenant's share of certain facilities operating expense and amortization of deferred liability in the aggregate total of $5.1 million, $8.0 million and $6.5 million, respectively.

11. STOCKHOLDERS' EQUITY

Preferred Stock

We are authorized to issue 10,000,000 shares of preferred stock. As of December 31, 2018 and 2017, there were no issued and outstanding shares of preferred stock. Our board of directors is authorized to fix or alter the designation, powers, preferences and rights of the shares of each series of preferred shares, and the qualifications, limitations or restrictions of any wholly unissued shares, to establish from time to time the number of shares constituting any such series, and to increase or decrease the number of shares, if any.

Controlled Equity Offering

In August 2015, we entered into a Controlled Equity OfferingSM Sales Agreement (Original Sales Agreement) with Cantor Fitzgerald & Co. (Cantor), as sales agent, pursuant to which we may sell, through Cantor, up to an aggregate of $30.0 million in shares of our common stock. As of December 31, 2016, 9,617,875 shares of our common stock had been issued under the Original Sales Agreement with aggregate gross proceeds of $30.0 million. As of December 31, 2016, there are no amounts remaining for future sales under the Original Sales Agreement. In May 2017, we entered into an Amendment No. 1 (Amended Sales Agreement) to the Controlled Equity OfferingSM Sales Agreement pursuant to which we may offer and sell, through Cantor, additional shares of our common stock, up to an aggregate offering price of $40.0 million. These shares are in addition to the shares of common stock sold under the Original

Sales Agreement. During the year ended December 31, 2017, 2,166,093 shares of common stock were sold under the Amended Sales Agreement, with an aggregate net proceeds of $5.7 million. In October 2017, we terminated the Amended Sales Agreement with Cantor.

All sales of our common stock were made pursuant to a shelf registration statement filed by us in May 2015 and declared effective by the Securities and Exchange Commission (SEC) in July 2015. Cantor acted as our sole sales agent for all sales made under the Amended Sales Agreement for a low single-digit commission on gross proceeds. The common stock was sold at prevailing market prices at the time of the sale.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

Common Stock

Authorized Shares of Common Stock

On May 18, 2018, we amended our Certificate of Incorporation (the "Charter Amendment") to increase the number of authorized shares of common stock from 200,000,000 to 400,000,000 shares. This Charter Amendment was approved by our stockholders at the annual meeting held on May 16, 2018. The Charter Amendment became effective upon the filing with the Secretary of State of the State of Delaware on May 18, 2018.

Common Stock Public Offering

In the second quarter of 2018, we completed an underwritten public offering in which we sold 18,400,000 shares of our common stock pursuant to an effective registration statement at a price to the public of $3.90 per share. We received net proceeds of approximately $67.2 million after deducting underwriting discounts and commissions and offering expenses.

In February 2017, we completed an underwritten public offering in which we sold 23,000,000 shares of our common stock pursuant to an effective registration statement at a price to the public of $2.00 per share. We received proceeds of approximately $43.0 million, net of underwriting discounts and commissions and offering expenses. In October 2017, we completed another underwritten public offering in which we sold 20,815,000 shares of our common stock pursuant to an effective registration statement at a price to the public of $3.35 per share. We received proceeds of approximately $65.3 million, net of underwriting discounts and commissions and offering expenses.

12. INCOME TAXES

For the years ended December 31, 2018, 2017 and 2016, our loss before income taxes was from domestic operations. For the years ended December 31, 2018, 2017 and 2016, we did not record a provision for income taxes due to our net loss.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets are as follows (in thousands):

	December 31, 2018	2017
Deferred tax assets		
Net operating loss carryforwards	$ 226,388	$ 212,153
Orphan drug and research and development credits	55,276	51,744
Deferred compensation	7,155	12,261
Capitalized research and development expenses	424	4,690
Other, net	809	815
Total deferred tax assets	290,052	281,663
Valuation allowance	(290,052)	(281,663)
Net deferred tax assets	$ —	$ —

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The reconciliation of the statutory federal income tax rate to the effective tax rate was as follows:

	Year Ended December 31,					
	2018		2017		2016	
Federal statutory tax rate	(21.0)	%	(34.0)	%	(34.0)	%
Federal statutory rate reduction	—	%	160.2	%	—	%
State, Net of Federal Benefit	—	%	—	%	—	%
Valuation allowance	16.3	%	(126.5)	%	35.0	%
Stock compensation	8.2	%	5.7	%	5.0	%
Orphan drug and research and development credits	(3.7)	%	(3.6)	%	(7.3)	%
Other, net	0.2	%	(1.8)	%	1.3	%
Effective tax rate	0.0	%	0.0	%	0.0	%

On December 22, 2017, the Tax Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from a top marginal rate of 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, the Staff Accounting Bulletin No. 118 (SAB 118) was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. In accordance with SAB 118, we have determined that $117.3 million of the deferred tax expense offset by a full valuation allowance) recorded in connection with the remeasurement of certain deferred tax assets and liabilities was a provisional amount and a reasonable estimate at December 31, 2017. During the fourth quarter of 2018, we filed our 2017 federal income tax return which resulted in an immaterial adjustment to the deferred tax asset which was fully offset by a valuation allowance. With the above, the Company has considered and completed all applicable elements of tax reform under the remeasurement period.

In general, under Section 382 of the Internal Revenue Code (Section 382), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre change net operating loss carryovers and tax credits to offset future taxable income. Our existing net operating loss carryforwards and tax credits are subject to limitations arising from ownership changes which occurred in previous periods. We finalized our analysis of potential ownership changes and concluded our Section 382 owner shift analysis during the year ended December 31, 2012. We have updated our net operating loss carryforwards to reflect the results of the Section 382 owner shift analysis as of December 31, 2018. We did not experience any significant changes in ownership in 2018 and 2017. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 and result in additional limitations.

As of December 31, 2018, we had net operating loss carryforwards for federal income tax purposes of approximately $965.1 million, which expire beginning in the year 2019 and state net operating loss carryforwards of approximately

$348.6 million, which expire beginning in the year 2028.

We have general business credits of approximately $40.0 million, which will expire beginning in 2023, if not utilized, and is comprised of research and development credits and orphan drug credits. We also have state research and development tax credits of approximately $28.2 million, which have no expiration date.

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by approximately $8.4 million and increased by approximately $86.7 million for the years ended December 31, 2018 and 2017, respectively.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

The following table summarizes the activity related to our gross unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2018	2017
Balance at the beginning of the year	$ 7,430	$ 6,903
Increase related to prior year tax positions	—	—
Increase related to current year tax positions	419	527
Balance at the end of the year	$ 7,849	$ 7,430

Included in the balance of unrecognized tax benefits at December 31, 2018 and 2017, respectively, are $6.8 million and $5.8 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes. No income tax benefit would be realized due to our valuation allowance position. We do not anticipate a significant change to the unrecognized tax benefits over the next 12 months.

We are subject to federal income taxes and various state taxes. Because of net operating loss and research credit carryovers, substantially all of our tax years remain open to examination.

Our policy is that we recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. We currently have no tax positions that would be subject to interest or penalties.

13. RESTRUCTURING CHARGES

In September 2016, we announced that we had reduced our workforce by 46 positions, mostly in the research area. We also announced that effective September 15, 2016, Donald G. Payan, M.D, has retired from the board of directors and from his position as Executive Vice President and President of Discovery and Research. We recorded restructuring charges during the three months ended September 30, 2016 of approximately $5.8 million within Restructuring Charges in the accompanying Statement of Operations, which included $5.0 million of severance costs paid in cash, $319,000 impairment of certain property and equipment, and $499,000 of non-cash stock-based compensation expense as a result of the modification of our former executive’s stock options (see Note 6). At December 31, 2018 and 2017, we have no accrued restructuring liability, and there were no related expenses during the years ended December 31 2018 and 2017.

14. SELECTED QUARTERLY FINANCIAL DATA

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(unaudited, in thousands, except per share amounts)							
Revenue	$ —	$ 1,787	$ 4,865	$ 37,857	$ 3,584	$ —	$ 900	$ —
Gross profit*	$ —	$ 1,757	$ 4,796	$ 7,107	$ —	$ —	$ —	$ —
Net loss	$ (24,385)	$ (25,557)	$ (23,766)	$ 3,228	$ (15,314)	$ (19,147)	$ (17,660)	$ (25,871)
Net income (loss) per share, basic and diluted:	$ (0.17)	$ (0.16)	$ (0.14)	$ 0.02	$ (0.13)	$ (0.16)	$ (0.14)	$ (0.18)
Weighted average shares used in computing net income (loss) per share:								
Basic	147,114	161,577	166,464	166,680	113,598	122,500	124,628	144,252
Diluted	147,114	161,577	166,464	167,617	113,598	122,500	124,628	144,252

*Gross profit is computed as Net product sales less Cost of product sales. Prior to the FDA approval, manufacturing and related costs were charged to research and development expense. Therefore, these costs were not capitalized and as a result, are not fully reflected in the costs of sales during the periods disclosed above.

Table of Contents

Rigel Pharmaceuticals, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

15. SUBSEQUENT EVENT

In January 2019, we entered into an exclusive commercialization license agreement with Grifols to commercialize fostamatinib for the treatment, palliation, or prevention of human diseases, including chronic or persistent ITP, AIHA, and IgAN in Europe and Turkey. Pursuant to the terms of the license agreement, Grifols received exclusive rights to commercialize, and non-exclusive rights to develop, fostamatinib in Europe and Turkey. Grifols also received an exclusive option to expand the territory under its exclusive and non-exclusive licenses to include the Middle East, North Africa and Russia (including Commonwealth of Independent States). The parties' collaboration is governed through a joint governance committee.

We are responsible for performing and funding certain development activities for fostamatinib for ITP and AIHA in Europe and Turkey and Grifols is responsible for all other development activities for fostamatinib in such territory. We will retain the global rights to fostamatinib outside the Grifols territories and those rights previously granted to Kissei (in Japan, China, Taiwan and the Republic of Korea). We remain responsible for the manufacture and supply of fostamatinib disodium hexahydrate for all development and commercialization activities under the agreement. In connection with the agreement, we will enter into a supply agreement with Grifols pursuant to which we will supply Grifols with filled and finished product for use under the license agreement.

Under the terms of the agreement, we received an upfront cash payment of $30.0 million and will be eligible to receive regulatory and commercial milestones of up to $297.5 million, which includes a $17.5 million payment for EMA approval of fostamatinib for the first indication, currently anticipated to be for the treatment of chronic ITP, and a $2.5 million creditable advance royalty payment due upon EMA approval of fostamatinib in the first indication. We will also receive tiered royalty payments ranging from the mid-teens to 30% of net sales of fostamatinib in Europe and Turkey.

The commercialization license agreement may be terminated for cause by either party based on regulatory reasons, uncured material breach by the other party, bankruptcy of the other party or for safety reasons. We may terminate the agreement if Grifols challenges or opposes any patent covered by the agreement. After the first MAA approval of fostamatinib in Europe and Turkey, Grifols may terminate the agreement upon 18 months' prior written notice following the second anniversary of the first MAA approval of fostamatinib in Europe and Turkey. Grifols will also have the right to terminate the agreement for our material breach of the supply agreement. If, by the second

anniversary of the effective date of the commercialization license agreement, the EMA has not approved the MAA for fostamatinib for ITP, Grifols will have the right to terminate such agreement in its entirety within six months after such second anniversary by providing us with at 60 days' written notice, and in such event only, we are required to refund to Grifols $25.0 million of the upfront payment. Upon termination by either party, all licenses granted to Grifols will automatically terminate. In the case we are in acquisition discussions with a competing company selling plasma products and Grifols has not provided its consent to an assignment or transfer of the commercialization license agreement to such company in the event such an acquisition were to occur, in accordance with a certain process, then the agreement terminates if such an acquisition occurs, and we or the acquiring party shall pay Grifols a one-time payment of $60.0 million.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a 15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal accounting officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a 15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal accounting officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its attestation report which is set forth below in this Annual Report on Form 10 K.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Rigel Pharmaceuticals, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Rigel Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rigel Pharmaceuticals, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying balance sheets of the Company as of December 31, 2018 and 2017, the related statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes, and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Redwood City, California
February 28, 2019

Table of Contents

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors, executive officers and corporate governance is incorporated by reference to the information set forth under the captions “Election of Directors” and “Management—Executive Officers” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

In 2003, we adopted a code of ethics, the Rigel Pharmaceuticals, Inc. Code of Conduct, which applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Conduct is on our website at http://ir.rigel.com/phoenix.zhtml?c=120936&p=irol-govhighlights. If we make any amendments to the code or grant any waiver from a provision of the code applicable to any executive officer or director, we intend to satisfy the disclosure requirement under Item 5.05 of Form 8 K by disclosing the nature of the amendment or waiver on our website at the address and the location specified above.

Information regarding compliance with Section 16(a) of the Exchange Act is incorporated by reference to the information set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Item 11. Executive Compensation

Information regarding executive and director compensation is incorporated by reference to the information set forth under the captions “Compensation Discussion and Analysis,” “Executive Compensation” and “Director Compensation” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Information regarding Compensation Committee interlocks and insider participation is incorporated by reference to the information set forth under the caption “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Information regarding our Compensation Committee’s review and discussion of our Compensation Discussion and Analysis is incorporated by reference to the information set forth under the caption “Compensation Committee Report” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management and securities authorized for issuance under our equity compensation plans is incorporated by reference to the information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” and “Equity Compensation Plan Information” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2019. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and director independence is incorporated by reference to the information set forth under the captions “Transactions with Related Persons” and “Information Regarding the Board of Directors and Corporate Governance” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Table of Contents

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services is incorporated by reference to the information set forth under the caption “Ratification of Selection of Independent Registered Public Accounting Firm” in our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of December 31, 2018. Such information is incorporated herein by reference.

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are being filed as part of this Annual Report on Form 10 K:

1. Financial Statements—Index to Financial Statements in Item 8 of this Annual Report on Form 10 K including selected quarterly financial data for the last two years in Note 14.
2. Financial Statement Schedules—None—As all required disclosures have been made in the footnotes to the financial statements.
3. See Exhibit Index at the end of this Annual Report, which is incorporated herein by reference. The Exhibits listed in the accompanying Exhibit Index are filed as part of this report.

Table of Contents

EXHIBIT INDEX

3.1	Amended and Restated Certificate of Incorporation (filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) dated May 29, 2012, and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889), dated February 2, 2007, and incorporated herein by reference).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889), dated May 16, 2018, and incorporated herein by reference).
4.1	Form of warrant to purchase shares of common stock (filed as an exhibit to Rigel's Registration Statement on Form S-1 (No. 333-45864), as amended, and incorporated herein by reference).
4.2	Specimen Common Stock Certificate (filed as an exhibit to Rigel's Current Report

	on Form 8_K (No. 000_29889) dated June 24, 2003, and incorporated herein by reference).
4.3	Warrant issued to HCP BTC, LLC for the purchase of shares of common stock (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended March 31, 2009 (No. 000_29889) and incorporated herein by reference).
4.4	Form of Debt Indenture (filed as an exhibit to Rigel's Registration Statement on Form S-3 (No. 333_223564) dated March 9, 2018, and incorporated herein by reference).
4.5	Form of Common Stock Warrant Agreement and Warrant Certificate (filed as an exhibit to Rigel's Registration Statement on Form S-3 (No. 333_223564) dated March 9, 2018, and incorporated herein by reference).
4.6	Form of Preferred Stock Warrant Agreement and Warrant Certificate (filed as an exhibit to Rigel's Registration Statement on Form S-3 (No. 333_223564) dated March 9, 2018, and incorporated herein by reference).
4.7	

	Form of Debt Securities Warrant Agreement and Warrant Certificate (filed as an exhibit to Rigel's Registration Statement on Form S-3 (No. 333_223564) dated March 9, 2018, and incorporated herein by reference).
10.1+	Form of Stock Option Agreement pursuant to 2000 Equity Incentive Plan (filed as an exhibit to Rigel's Registration Statement on Form S_1 (No. 333_45864), as amended, and incorporated herein by reference).
10.2	Collaboration Agreement between Rigel and Janssen Pharmaceutical N.V., dated December 4, 1998 (filed as an exhibit to Rigel's Registration Statement on Form S_1 (No. 333_45864), as amended, and incorporated herein by reference).
10.3	Collaborative Research and License Agreement between Rigel and Pfizer Inc., dated January 31, 1999 (filed as an exhibit to Rigel's Registration Statement on Form S_1 (No. 333_45864), as amended, and incorporated herein

	by reference).
10.4	Collaboration Agreement between Rigel and Novartis Pharma AG, dated May 26, 1999 (filed as an exhibit to Rigel's Registration Statement on Form S 1 (No. 333 45864), as amended, and incorporated herein by reference).

Table of Contents

10.5	Build to Suit Lease between Rigel and Slough BTC, LLC, dated May 16, 2001 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended June 30, 2001 (No. 000 29889) and incorporated herein by reference).
10.6*	Amendment to Build to Suit Lease between Rigel and Slough BTC, LLC, dated October 18, 2002 (filed as an exhibit to Rigel's Annual Report on Form 10 K, as amended, for the fiscal year ended December 31, 2002 (No. 000 29889) and incorporated herein by reference).
10.7	Amendment No. Two to Build to Suit Lease between Rigel and Slough BTC, LLC, dated January 31, 2005 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended September 30, 2009 (No. 000 29889) and incorporated herein by reference).
10.8	Amendment No. Three to Build to Suit Lease between Rigel and Slough BTC, LLC, dated January 31, 2005 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended September 30, 2009 (No. 000 29889) and

	incorporated herein by reference).
10.9	Amendment No. Four to Build to Suit Lease between Rigel and HCP BTC, LLC, dated February 1, 2009 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended March 31, 2009 (No. 000 29889) and incorporated herein by reference).
10.10	First Amendment to the Collaboration Agreement between Rigel and Novartis Pharma AG, dated May 18, 2001 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended June 30, 2001 (No. 000 29889) and incorporated herein by reference).
10.11*	Second Amendment to the Collaboration Agreement between Rigel and Novartis Pharma AG, dated July 6, 2001 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended September 30, 2001 (No. 000 29889) and incorporated herein by reference).
10.12	First Amendment to the Collaboration Agreement by and between Rigel and Janssen Pharmaceutical N.V., dated June 30, 2000 (filed as an exhibit to Rigel's Annual Report on Form 10 K for the fiscal

	year ended December 31, 2001 (No. 000 29889) and incorporated herein by reference).
10.13	Second Amendment to the Collaboration Agreement by and between Rigel and Janssen Pharmaceutical N.V., dated December 4, 2001 (filed as an exhibit to Rigel's Annual Report on Form 10 K for the fiscal year ended December 31, 2001 (No. 000 29889) and incorporated herein by reference).
10.14*	Collaboration Agreement between Rigel and Daiichi Pharmaceutical Co., Ltd., dated August 1, 2002 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended September 30, 2002 (No. 000 29889) and incorporated herein by reference).
10.15+	Employment Agreement between Rigel and Elliott B. Grossbard, dated as of March 18, 2002 (filed as an exhibit to Rigel's Annual Report on Form 10 K, as amended, for the fiscal year ended December 31, 2002 (No. 000 29889) and incorporated herein by reference).
10.16+	Separation Agreement by and between Rigel and Elliot Grossbard, M.D., dated June 30, 2016 (filed

	as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended June 30, 2016 (No. 000_29889) filed on August 2, 2016 and incorporated herein by reference).
10.17+	Clinical Research Consulting Agreement by and between Rigel and Elliot Grossbard, M.D., dated June 27, 2016 (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended June 30, 2016 (No. 000_29889) filed on August 2, 2016 and incorporated herein by reference).

Table of Contents

10.18+	Offer Letter from Rigel to Anne-Marie Duliege, dated February 4, 2016 (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended March 31, 2016 (No. 000_29889) filed on May 3, 2016 and incorporated herein by reference).
10.19+*	Offer Letter from Rigel Pharmaceuticals, Inc. to Eldon C. Mayer III, dated September 12, 2016 (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (No. 000 29889) filed on November 1, 2016 and incorporated herein by reference).
10.20+*	Offer Letter from Rigel Pharmaceuticals, Inc. to Joseph Lasaga, dated September 26, 2016 (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended

	September 30, 2016 (No. 000 29889) filed on November 1, 2016 and incorporated herein by reference).
10.21*	Collaborative Research and License Agreement by and between Rigel and Pfizer Inc., dated January 18, 2005 (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended March 31, 2005 (No. 000 29889) and incorporated herein by reference).
10.22+	Form of Indemnity Agreement (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended March 31, 2007 (No. 000 29889), as amended, and incorporated herein by reference).
10.23+	2000 Equity Incentive Plan, as amended (filed as an exhibit to Rigel's Registration Statement on Form S 8

	(No. 333-189523) filed on June 21, 2013 and incorporated herein by reference).
10.24+	2000 Non-Employee Directors' Stock Option Plan, as amended (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (No. 000-29889) filed on August 21, 2017 and incorporated herein by reference).
10.25+	Amended and Restated Employment Agreement between Rigel and Donald G. Payan, effective January 1, 2011 (filed as an exhibit to Rigel's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (No. 000-29889) and incorporated herein by reference).
10.26+	Separation Agreement by and between Rigel Pharmaceuticals, Inc. and Donald

	G. Payan, M.D., dated September 15, 2016 (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (No. 000-29889) filed on November 1, 2016 and incorporated herein by reference).
10.27+	Amended and Restated Change of Control Severance Plan (filed as an exhibit to Rigel's Annual Report on Form 10 K for the fiscal year ended December 31, 2010 (No. 000 29889) and incorporated herein by reference).
10.28+	2000 Employee Stock Purchase Plan, as amended (filed as an exhibit to Rigel's Quarterly Report on Form 10 Q for the quarter ended March 31, 2010 (No. 000 29889) and incorporated herein by reference).
10.29*	License and Collaboration Agreement between Rigel

	and AstraZeneca AB, dated February 15, 2010 (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended March 31, 2010 (No. 000_29889) and incorporated herein by reference).
10.30+	2011 Equity Incentive Plan, as amended (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (No. 000-29889) filed on August 21, 2017 and incorporated herein by reference).
10.31*	Termination Agreement between Rigel and Pfizer, Inc., dated May 2, 2011 (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended June 30, 2011 (No. 000_29889) and incorporated herein by reference).

Table of Contents

10.32+	Form of Stock Option Agreement pursuant to 2011 Equity Incentive Plan (filed as an exhibit to Rigel's Quarterly Report on Form 10_Q for the quarter ended September 30, 2011 (No. 000_29889) and incorporated herein by reference).
10.33+	2012 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8_K (No. 000_29889) filed on February 8, 2012, and incorporated herein by reference).
10.34+	2013 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8_K (No. 000_29889) filed on February 14, 2013, and incorporated herein by reference).
10.35+	2014 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report

	on Form 8_K (No. 000_29889) filed on May 20, 2014, and incorporated herein by reference).
10.36+	2015 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8_K (No. 000_29889) filed on January 30, 2015, and incorporated herein by reference).
10.37+	2016 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8_K (No. 000_29889) filed on January 26, 2016, and incorporated herein by reference).
10.38+	2017 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000 29889) filed on February 8, 2017, and incorporated herein by reference).
10.39+	Rigel Pharmaceuticals, Inc. Inducement

	Plan, as amended (filed as an exhibit to Rigel's Annual Report on Form 10_K for the fiscal year ended December 31, 2017 (No. 000_29889) filed on March 6, 2018, and incorporated herein by reference).
10.40+	Form of Stock Option Grant Notice, Option Agreement and Notice of Exercise under the Rigel Inducement Plan (filed as an exhibit to Rigel's Current Report on Form 8_K (No. 000_29889) filed on October 11, 2016, and incorporated herein by reference).
10.41	Amendment No. Five to Build_to_Suit Lease between Rigel Pharmaceuticals, Inc. and HCP BTC, LLC, dated July 24, 2017 (filed as an exhibit to Rigel's Annual Report on Form 10_K for the fiscal year ended December 31,

	2017 (No. 000_29889) filed on March 6, 2018, and incorporated herein by reference).
10.42+	Transition and Separation Agreement between Rigel Pharmaceuticals, Inc. and Ryan Maynard dated December 14, 2017 (filed as an exhibit to Rigel's Annual Report on Form 10_K for the fiscal year ended December 31, 2017 (No. 000_29889) filed on March 6, 2018, and incorporated herein by reference).
10.43+	2018 Cash Incentive Plan (filed as an exhibit to Rigel's Current Report on Form 8-K (No. 000-29889) filed on February 1, 2018, and incorporated herein by reference).
10.44+	Executive Severance Plan (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 (No. 000-29889) filed on May 1, 2018 and incorporated herein by reference).

10.45	2018 Equity Incentive Plan (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (No. 000-29889) filed on August 8, 2018 and incorporated herein by reference).
10.46+*	Offer Letter from Rigel Pharmaceuticals, Inc. to Dean Schorno, dated May 22, 2018 (filed as an exhibit to Rigel's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (No. 000-29889) filed on August 8, 2018 and incorporated herein by reference).
10.47#	Collaboration and License Agreements with Kissei Pharmaceutical Co., Ltd.

Table of Contents

10.48#	Supply Agreements with Kissei Pharmaceutical Co., Ltd.	
23.1#		Consent of Independent Registered Public Accounting Firm.
24.1#		Power of Attorney (included on signature page).
31.1#		Certification required by Rule 13a 14(a) or Rule 15d 14(a).
31.2#		Certification required by Rule 13a 14(a) or Rule 15d 14(a).
32.1•		Certification required by Rule 13a 14(b) or Rule 15d 14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS#		XBRL Instance Document
101.SCH#		

	XBRL Taxonomy Extension Schema Document
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB#	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document

---

+Management contract or compensatory plan.

*Confidential treatment requested as to specific portions, which portions are omitted and filed separately with the Securities and Exchange Commission.

#Filed herewith.

•The certification attached as Exhibit 32.1 accompanies the Annual Report on Form 10 K pursuant to Section 906 of the Sarbanes Oxley Act of 2002 and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10 K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of South San Francisco, State of California, on February 28, 2019.

Rigel Pharmaceuticals, Inc.

By: /s/ Raul R. Rodriguez
Raul R. Rodriguez

Chief Executive Officer

By: /s/ Dean L. Schorno
Dean L. Schorno
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Raul R. Rodriguez and Dean L. Schorno, and each of them, as his true and lawful attorneys in fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10 K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys in fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys in fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10 K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Raul R. Rodriguez Raul R. Rodriguez	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2019
/s/ Dean L. Schorno Dean L. Schorno	Chief Financial Officer (Principal Financial Officer)	February 28, 2019
/s/ Gary A. Lyons Gary A. Lyons	Chairman of the Board	February 28, 2019
/s/ Bradford S. Goodwin Bradford S. Goodwin	Director	February 28, 2019
/s/ Keith A. Katkin	Director	February 28, 2019

Keith A. Katkin		
/s/ Walter H. Moos Walter H. Moos	Director	February 28, 2019
/s/ Peter S. Ringrose Peter S. Ringrose	Director	February 28, 2019
/s/ Brian L. Kotzin Brian L. Kotzin	Director	February 28, 2019
/s/ Gregg Lapointe Gregg Lapointe	Director	February 28, 2019