AMERICAN RETIREMENT CORP
Form 10-Q
May 09, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2003

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 01-13031

AMERICAN RETIREMENT CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Tennessee	62-1674303
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
111 Westwood Place, Suite 200, Brentwood, TN	37027
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code: (615) 221-2250
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

As of May 8, 2003, 17,344,782 shares of the Registrant s common stock, $.01 par value, were outstanding.

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PART I. FINANCIAL INFORMATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN RETIREMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share data)

	March 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,001	$ 18,244
Assets limited as to use	17,193	17,359
Accounts receivable, net of allowance for doubtful accounts	15,092	13,856
Inventory	1,281	1,378
Prepaid expenses	3,930	3,903
Deferred income taxes	3,028	3,028
Assets held-for-sale	37,936	34,071
Other current assets	4,017	5,347
Total current assets	99,478	97,186
Assets limited as to use, excluding amounts classified as current	21,680	21,701
Land, buildings and equipment, net	565,882	578,804
Notes receivable	19,121	19,176
Goodwill, net	36,463	36,463
Leasehold acquisition costs, net	22,343	22,861
Other assets	62,981	63,807
Total assets	$ 827,948	$ 839,998
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 21,451	$ 13,526
Debt associated with assets held-for-sale	23,218	20,246
Accounts payable	5,846	5,187
Accrued interest	5,376	4,620
Accrued payroll and benefits	7,061	7,652
Accrued property taxes	6,205	9,917
Other accrued expenses	8,604	8,164
Other current liabilities	13,374	12,149
Total current liabilities	91,135	81,461
Long-term debt, excluding current portion	497,391	506,879
Refundable portion of entrance fees	59,813	60,066
Deferred entrance fee income	117,391	118,041
Tenant deposits	4,808	4,898
Deferred gains on sale-leaseback transactions	26,764	27,622
Deferred income taxes	3,806	3,806
Other long-term liabilities	12,003	11,717

Total liabilities	813,111	814,490
Minority interest	12,900	12,601
Commitments and contingencies (See notes)		
Shareholders equity:		
Preferred stock, no par value; 5,000,000 shares authorized, no shares issued or outstanding		
Common stock, $.01 par value; 200,000,000 shares authorized, 17,344,782 and 17,341,191 shares issued and outstanding, respectively	173	173
Additional paid-in capital	145,706	145,706
Accumulated deficit	(143,942)	(132,972)
Total shareholders equity	1,937	12,907
Total liabilities and shareholders equity	$ 827,948	$ 839,998

See accompanying notes to condensed consolidated financial statements.

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AMERICAN RETIREMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share data)

	Three months ended March 31,	
	2003	**2002**
Revenues:		
Resident and health care	$ 86,052	$ 74,530
Management services	460	65
Reimbursed expenses	1,906	1,451
Total revenues	88,418	76,046
Operating expenses:		
Community operating expenses	60,737	53,075
General and administrative	5,981	5,920
Lease expense	10,083	32,598
Depreciation and amortization	6,154	4,948
Amortization of leasehold acquisition costs	518	7,122
Reimbursed expenses	1,906	1,451
Total operating expenses	85,379	105,114
Operating income (loss)	3,039	(29,068)
Other income (expense):		
Interest expense	(12,799)	(10,397)
Interest income	696	1,660
Loss on sale of assets	(58)	(26)
Other	174	597
Other expense, net	(11,987)	(8,166)
Loss from continuing operations before income taxes and minority interest	(8,948)	(37,234)
Income tax expense	130	97
Loss from continuing operations before minority interest	(9,078)	(37,331)
Minority interest in earnings of consolidated subsidiaries, net of tax	(612)	
Loss from continuing operations	(9,690)	(37,331)
Discontinued operations, net of tax	(1,280)	(740)
Net loss	$(10,970)	$ (38,071)
Basic loss per share:		
Basic loss per share from continuing operations	$ (0.56)	$ (2.16)
Loss from discontinued operations, net of tax	(0.07)	(0.04)
Basic loss per share	$ (0.63)	$ (2.20)
Diluted loss per share:		
Diluted loss per share from continuing operations	$ (0.56)	$ (2.16)
Loss from discontinued operations, net of tax	(0.07)	(0.04)

Diluted loss per share	$ (0.63)	$ (2.20)
Weighted average shares used for basic loss per share data	17,343	17,277
Effect of dilutive common stock options		
Weighted average shares used for diluted loss per share data	17,343	17,277

See accompanying notes to condensed consolidated financial statements.

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AMERICAN RETIREMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three months ended March 31,	
	2003	**2002**
Cash flows from operating activities:		
Net loss	$(10,970)	$(38,071)
Loss from discontinued operations	1,280	740
Loss from continuing operations	(9,690)	(37,331)
Adjustments to reconcile loss from continuing operations to net cash and cash equivalents (used) provided by operating activities:		
Depreciation and amortization	6,612	11,996
Amortization of deferred financing costs	431	841
Residual value guarantee losses, included in lease expense		23,222
Amortization of deferred entrance fee revenue	(3,142)	(2,461)
Proceeds from entrance fee sales	5,848	4,976
Refunds of entrance fee terminations	(2,649)	(2,182)
Deferred income tax benefit	(88)	(151)
Amortization of deferred gain on sale-leaseback transactions	(869)	(558)
Minority owners allocation of income	612	
Losses from unconsolidated joint ventures	117	153
Loss on sale of assets	58	26
Changes in assets and liabilities, exclusive of acquisitions and sale leaseback transactions:		
Accounts receivable	(1,261)	(2,067)
Inventory	97	(15)
Prepaid expenses	(79)	(2,070)
Other assets	1,902	(468)
Accounts payable	255	(2,611)
Accrued interest	759	1,423
Other accrued expenses and other current liabilities	(2,577)	(2,046)
Tenant deposits	(90)	(422)
Other liabilities	408	1,879
Net cash and cash equivalents used by continuing operations	(3,346)	(7,866)
Cash flows from investing activities:		
Additions to land, buildings and equipment	(2,200)	(2,245)
Proceeds from the sale of assets	11	93,469
Proceeds from (purchase of) assets limited as to use	187	(6,928)
Investments in joint ventures	274	
(Issuance of) notes receivable		(2,230)
Other investing activities	(364)	(1,863)
Net cash (used) provided by investing activities	(2,092)	80,203

See accompanying notes to condensed consolidated financial statements.

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AMERICAN RETIREMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED
(UNAUDITED)
(in thousands)

	Three months ended March 31,	
	2003	**2002**
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	9,736	71,564
Principal payments on long-term debt	(2,866)	(130,600)
Distributions to minority interest holders	(312)	
Principal reductions in master trust liability	(357)	(319)
Accrual of contingent earnouts	(594)	(5,294)
Expenditures for financing costs	(307)	(368)
Net cash provided (used) by financing activities	5,300	(65,017)
Net cash and cash equivalents (used) provided by continuing operations	(138)	7,320
Net cash and cash equivalents used by discontinued operations	(1,105)	(958)
Net (decrease) increase in cash and cash equivalents	(1,243)	6,362
Cash and cash equivalents at beginning of period	18,244	19,334
Cash and cash equivalents at end of period	$17,001	$ 25,696
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (including capitalized interest)	$ 9,130	$ 6,464
Income taxes paid	$	$ 274
Supplemental disclosure of non-cash transactions:		
During the quarter ended March 31, 2002, the Company terminated five operating leases, and acquired $69.3 million of land, buildings and equipment in exchange for $58.1 million of notes receivable and $11.2 million of certificates of deposit (included in assets limited as to use), previously securing these leases. In conjunction with the transactions, assets and liabilities changed as follows:		
Notes receivable	$	$ (58,108)
Assets limited as to use		(11,176)
Land, buildings and equipment		69,284
During the quarter ended March 31, 2003 the Company amended a lease agreement Under this amendment, a lease which had been accounted for as a financing is now treated as an operating lease. As a result, assets and liabilities changed as follows:		
Land, building and equipment	$ 4,879	$
Other assets	821	
Long-term debt	(4,879)	

See accompanying notes to condensed consolidated financial statements.

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AMERICAN RETIREMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of American Retirement Corporation (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2002. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments, such as impairments) considered necessary for a fair presentation have been included. Certain fiscal year 2002 amounts have been reclassified to conform to the fiscal year 2003 presentation. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2003.

2. Segment Information

The Company operates principally in three business segments: (1) large retirement centers (Retirement Centers), (2) Free-standing assisted living residences (Free-standing ALs), and (3) Management services. The Company currently operates 26 Retirement Centers, which provide a continuum of care services such as independent living, assisted living and skilled nursing care. The Company currently operates 33 Free-standing ALs. Free-standing ALs are generally comprised of stand-alone assisted living communities that are not located on a Retirement Center campus, most of which also provide some specialized care such as Alzheimer s and memory enhancement programs. Free-standing ALs are generally much smaller than Retirement Centers. The Management services segment includes fees from management agreements for six large retirement communities owned by others, and reimbursed expense revenues together with associated expenses.

The Company manages and evaluates the performance of its business segments principally based upon segment operating contributions, which the Company defines as revenue for the segment less operating expenses associated with the segment. The following is a summary of total revenues, community operating contribution, and total assets by segment for the three months ended March 31, 2003 and 2002 (in thousands).[1]

	Three Months Ended	
	March 31, 2003	**March 31, 2002**
Revenues		
Retirement centers	$67,851	$60,039
Free-standing ALs	18,201	14,491
Management services[2]	2,366	1,516
Total revenue	$88,418	$76,046
Retirement Centers		
Resident and healthcare revenue	$67,851	$60,039
Community operating expense	45,535	39,208
Community operating contribution	$22,316	$20,831

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	March 31, 2003	March 31, 2002
Free-standing ALs		
Resident and healthcare revenue	$18,201	$ 14,491
Community operating expense	15,202	13,867
Community operating contribution	$ 2,999	$ 624
Management services		
Management services	$ 460	$ 65
Reimbursed expense revenue	1,906	1,451
Reimbursed expenses	1,906	1,451
Management services operating contribution	$ 460	$ 65
General and administrative expense	5,981	5,920
Lease expense [3]	10,083	32,598
Depreciation and amortization[4]	6,672	12,070
Operating income (loss)	$ 3,039	$(29,068)

	March 31, 2003	December 31, 2002
Total Assets:		
Retirement Centers	$534,349	$539,764
Free-standing ALs	197,659	210,376
Management services and other	95,940	89,858
Total	$827,948	$839,998

(1) Segment data does not include any inter-segment transactions or allocated costs. During the fourth quarter of 2002, the Company determined that a community which had previously been classified as a Free-standing AL had more characteristics of a Retirement Center and the community was accordingly reclassified as a Retirement Center. The first quarter 2002 amounts have been restated to conform with the revised presentation.

(2) Management services revenues represent the Company s management services revenues, as well as reimbursed expense revenue.

(3) Lease expense for the three months ended March 31, 2002 includes $23.2 million of additional lease expense for residual value guarantees related to the termination of certain synthetic leases as part of the Refinancing Plan.

(4) Depreciation and amortization expense for the three months ended March 31, 2002 includes $6.6 million of additional amortization expense related to the termination of certain synthetic leases as part of the Refinancing Plan.

3. Stock Based Compensation

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, an amendment of FASB Statement No. 123. SFAS 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal periods ending after December 15, 2002 and are included below.

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The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation*, an interpretation of APB Opinion No. 25, to account for its stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123 established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123. The following table illustrates the effect on net loss if the fair-value-based method had been applied to all outstanding and unvested awards in each period.

	Three Months Ended March 31, 2003	2002
Net loss, as reported	$(10,970)	$(38,071)
Deduct total stock-based employee compensation expense determined under fair-value-based method	(1,781)	(1,869)
Pro forma net loss	(12,751)	(39,940)
Loss per share:		
Basic-as reported	$ (.63)	$ (2.20)
Basic-pro forma	$ (.74)	$ (2.31)
Diluted-as reported	$ (.63)	$ (2.20)
Diluted-pro forma	$ (.74)	$ (2.31)

4. Earnings per Share

Basic loss per share for the three months ended March 31, 2003 and 2003 has been computed on the basis of the weighted average number of shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. During the three months ended March 31, 2003, there were 40,033 options to purchase shares of common stock outstanding which had an exercise price below the average market price of the common shares for the corresponding period. There were no options to purchase shares of common stock outstanding during the three months ended March 31, 2002 which had an exercise price below the average market price of the common shares for the corresponding period. Such options were anti-dilutive because the Company incurred a loss from continuing operations for the three months ended March 31, 2003, and therefore were not included in the computation of diluted earnings per share.

The following options to purchase shares of common stock were outstanding during each of the following periods, but were also not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares for the respective periods and, therefore, the effect would be anti-dilutive.

	Three Months Ended March 31,	
	2003	2002
Number of options (in thousands)	2,087	2,133
Weighted-average exercise price	$ 4.78	$ 4.84

The Company s 5¾% Convertible Subordinated Debentures due October 1, 2002 outstanding during the 2002 period presented were not included in the computation of diluted earnings per share for the three months ended March 31, 2002. The conversion price of $24.00 per share was greater than the average market price of the common shares for the period and the Company had a loss from continuing operations, and, therefore, the effect would be anti-dilutive.

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The average market price of the Company s common stock outstanding during the three months ended March 31, 2003 was less than the $2.25 per share conversion price of the Company s 10% Series B Convertible Senior Subordinated Notes due 2008 (Series B Notes). Accordingly, the common shares from conversion were not included in the computation of diluted earnings per share for the three months ended March 31, 2003 because the market price of the Company s common stock was less than the conversion price of the Series B Notes and the Company had a loss from continuing operations and, therefore, the effect would be anti-dilutive. At March 31, 2003, the Series B Notes were convertible into 15,955,520 shares of common stock.

5. Long-term Debt and Other Transactions

A summary of long-term debt is as follows (in thousands):

	March 31, 2003	December 31, 2002
Note payable bearing interest at a fixed rate of 19.5%, compounding quarterly. Interest at 9% (increasing 0.55% annually after April 1, 2004) is payable quarterly with principal and unpaid interest due on September 30, 2007 (HCPI Loan). The loan is secured by a security interest in the borrower subsidiary s ownership interests.	$118,831	$115,721
Convertible debentures bearing interest at a fixed rate of 10.00% (Series B Notes) Interest is due semi-annually on April 1 and October 1 through April 1, 2008, at which time all principal is due.	15,956	15,956
Various mortgage notes bearing interest at variable and fixed rates, generally payable monthly with any unpaid principal and interest due between 2004 and 2037. Interest rates at March 31, 2003 range from 4.24% to 10.25%. The loans are typically secured by certain land, buildings and equipment.	238,701	240,549
Lease financing obligations with principal and interest payable monthly bearing interest at fixed rates ranging from 3.72% to 9.37%, with final payments due between 2006 and 2017. The obligations are secured by certain land, buildings and equipment.	128,331	128,575
Various other long-term debt, generally payable monthly with any unpaid principal and interest due between 2008 and 2024. Variable and fixed interest rates at March 31, 2003 range from 1.20% to 11.1%. The loans are secured by certain land, buildings and equipment.	40,241	39,850
Total long-term debt	542,060	540,651
Less current portion	21,451	13,526
Less debt associated with assets held-for-sale	23,218	20,246
Long-term debt, excluding current portion	$497,391	$506,879

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The aggregate scheduled maturities of long-term debt were as follows (in thousands):

	March 31, 2003	December 31, 2002
Year 1	$ 21,451	$ 13,526
Year 1, debt associated with assets held-for-sale	23,218	20,246
Year 2	47,042	54,926
Year 3	103,601	103,610
Year 4	8,966	8,466
Year 5	174,906	146,402
Thereafter	162,876	193,475
	$542,060	$540,651

On August 14, 2002, the Company entered into a loan agreement with Health Care Property Investors, Inc. (HCPI), a real estate investment trust, pursuant to which HCPI loaned one of the Company s subsidiaries $112.8 million (the HCPI Loan). The Company also contemporaneously entered into a contribution agreement with HCPI under which HCPI agreed to make a $12.2 million equity investment (the HCPI Equity Investment) in certain other subsidiaries of the Company (the Real Estate Companies).

In addition to the scheduled maturities of long-term debt, the Company will be required to pay all accrued but unpaid interest on the HCPI Loan at its maturity or earlier. In addition to the original loan amount of $112.8 million, the balance of accrued but unpaid interest, together with compounded interest, will increase each year thereon. Unless paid earlier, the HCPI Loan accrued interest at its September 2007 maturity will be approximately $89.9 million.

The Company is permitted to repay the HCPI Loan in whole or in part after three years and redeem the HCPI Equity Investment after four years. In the event that the Company does not repay the HCPI Loan at maturity in 2007, HCPI may foreclose upon the Company s ownership interests in the Real Estate Companies that currently own nine of the Company s Retirement Centers, and the Company will continue to operate the nine Retirement Centers pursuant to a long-term lease with an initial term of 15 years, and two ten year renewal options. The Company intends to repay, subject to available funds, the HCPI Loan on or before its maturity in 2007 and repurchase the HCPI Equity Investment. However, if the Company does not repay the HCPI Loan and repurchase the HCPI Equity Investment at the end of five years, and HCPI forecloses upon its collateral, the Company will realize significant taxable income, which may exceed substantially the Company s net operating loss carryforward resulting in a significant tax liability to the Company.

On February 28, 2003 the Company sold a Free-standing AL in Florida for $6.5 million. The sale agreement contains certain formula-based earnout provisions which may provide for up to $1.1 million of additional sales proceeds to the Company based on future performance. The Company contemporaneously leased the property back from the buyer. As a result of the contingent earnout provision, this Free-standing AL lease is classified as a financing transaction and the Company recorded $6.5 million of lease obligation as debt, bearing interest at 8.76%. This community was added to a master lease agreement which the Company entered into on March 28, 2002, which previously included three Retirement Centers and three Free-standing ALs. The amended lease is a 15-year lease (approximately 14 years remaining) with two ten-year renewal options. The Company has the right of first refusal to repurchase the leased communities. As a result of this lease amendment, the Company is no longer eligible for a contingent earnout of one of these communities that is currently held for sale (see note 7), resulting in a $821,000 write-off and conversion from financing to operating lease treatment for this community.

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During 2002, the Company successfully refinanced or extended substantially all of its debt maturities to January 2004 or later pursuant to its Refinancing Plan. However, it remains highly leveraged with a substantial amount of debt and lease obligations. Furthermore, the Company replaced a significant amount of mortgage debt and lower rate convertible debentures with debt and leases at higher rates which significantly increased the Company s annual debt and lease payments, plus additional accruals for HCPI Loan interest that is payable at maturity of the HCPI Loan.

Certain of the Company s current debt agreements and leases contain various financial and other restrictive covenants. During the three months ended March 31, 2003, the Company obtained a covenant waiver on a lease related to a single community. However, there can be no assurances that the Company will remain in compliance with those covenants or that the Company s creditors will grant amendments or waivers in the event of future non-compliance. Any non-payment or other default under the Company s debt instruments or mortgages (including non-compliance with a financial or restrictive covenant) could cause the Company s lenders or lessors to declare defaults, accelerate payment obligations or foreclose upon the communities securing such indebtedness or exercise their remedies with respect to such communities. Furthermore, because of cross-default provisions in most of the Company s mortgages, debt instruments, and leases, a default by the Company on one of its debt instruments or lease agreements is likely to result in a default or acceleration of substantially all of the Company s other obligations, which would have a material adverse effect on the Company.

The Company has scheduled principal payments of $44.7 million, which includes $23.2 million of debt associated with assets held for sale, and minimum rental obligations of $44.9 million under long-term operating leases due during the twelve months ended March 31, 2004. As of March 31, 2003, the Company had approximately $17.0 million in unrestricted cash and cash equivalents and $8.3 million of working capital. The Company s cash flows from operations for the three months ended March 31, 2003 was negative and was not sufficient to meet its future debt and lease payment obligations. However, the Company expects that its current cash and cash equivalents, expected cash flow from operations, the proceeds from additional financing transactions, and the proceeds from the sale of assets currently held-for-sale will be sufficient to fund operating requirements, capital expenditure requirements, periodic debt service requirements and lease obligations during the next twelve months.

In addition to the debt maturities during the next twelve months, the Company has additional debt maturities totaling $39.9 million due during the second quarter of 2004. Because expected cash flows from operations, including anticipated improvements, will not be sufficient to meet these requirements, the Company plans to refinance or extend this debt prior to its maturity.

There can be no assurance that the Company s operations will improve as rapidly as anticipated or that the contemplated asset disposition and refinancing transactions can be consummated during the anticipated timeframes. The failure to make its periodic debt and lease payment obligations, or the failure to extend, refinance or repay any of its debt obligations as they become due would have a material adverse effect upon the Company.

6. Discontinued Operations

During the quarter ended September 30, 2002, the Company determined that a Free-standing AL would be held for sale. Subsequently, in the quarter ended March 31, 2003, the Company determined two additional Free-standing ALs would also be held for sale. The Company has executed sale agreements relating to these three communities, which are subject to various contingencies. If completed, the Company will use most of the proceeds to repay mortgage debt and other related payments. For the three months ended March 31, 2003 and 2002, the Company recorded a loss from discontinued operations of $1.3 million and $740,000, respectively, for these three Free-standing ALs. The loss recorded for the three months ended March 31, 2003 includes a loss of $821,000 resulting from the write-off of a contingent earnout recorded as part of a sale-leaseback transaction of a Free-standing AL executed during 2002. The Company s 2002 results were reclassified to reflect the loss from discontinued operations.

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7. Assets Held-for-Sale

The Company had $37.9 million of assets classified as held-for-sale at March 31, 2003. These assets consist of approximately $10.0 million related to four land parcels which were originally purchased for development, $13.7 million related to the three Free-standing ALs classified as discontinued operations, $13.1 million related to land in Virginia that is the subject of a sale agreement, and $1.1 million of other assets. Debt associated with assets held-for-sale at March 31, 2003 was $23.2 million which is classified as a current liability. As part of the sale transaction of the Virginia land, the Company received net cash proceeds of $1.2 million in December 2002, and the buyer agreed to assume the related debt of $11.9 million. The asset and related debt on the Virginia land remain on the Company s balance sheet as of March 31, 2003, pending satisfaction of certain conditions and consummation of the transaction, which is expected during the second quarter of 2003.

8. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. The Company also maintains accruals for various claims, based upon estimated values of known claims as well as incurred but not reported claims.

Insurance

The delivery of personal and health care services entails an inherent risk of liability. In recent years, participants in the senior living and health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant defense costs and significant exposure. The Company currently maintains property, liability and professional medical malpractice insurance policies for the Company s owned, leased and certain of its managed communities under a master insurance program.

Effective January 1, 2003, the Company renewed its general and professional liability policy, with increased retention levels ranging from $1.0 million to $5.0 million. The Company currently maintains single incident and aggregate liability protection in the amount of $15.0 million.

The Company has operated under a large deductible workers compensation program, with excess loss coverage provided by third party carriers, since July 1995. During July 2002, the Company renewed its excess loss for workers compensation claims with excess loss coverage of $350,000 per individual claim and approximately $7.25 million in the aggregate. As of March 31, 2003, the Company provides cash collateralized letters of credit in the aggregate amount of $4.7 million related to this program, which is reflected as assets limited as to use on the Company s balance sheet. The Company utilizes a third party administrator to process and pay filed claims.

On January 1, 2002, the Company initiated a self-insurance program for employee medical coverage. The Company maintains stop loss insurance coverage of approximately $150,000 per employee and approximately $17.7 million for aggregate calendar 2003 claims and costs. Estimated costs related to these self-insurance programs are accrued based on known claims and projected settlements of unasserted claims incurred but not yet reported to the Company. Subsequent changes in actual experience (including claim costs, claim frequency, and other factors) could result in additional costs to the Company.

Leases

As of March 31, 2003, the Company operated 36 of its senior living communities under long-term leases. Of these 36 communities, 22 are operated under three master lease agreements, with the remaining communities being subject to individual lease agreements. The Company also leases its corporate offices and is obligated under several ground leases for senior living communities. The remaining primary lease terms vary from four to 22 years. Certain of the leases provide for renewal and purchase options. Several of the leases have graduated lease payments which the Company recognizes on a straight-line basis over the term of the leases. Some leases have provisions for contingent lease payments based on occupancy levels or other measures. The majority of leases which have such provisions are measured quarterly and the Company recognizes contingent lease expense in accordance with the terms of the lease.

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Total lease expense was $10.1 million and $32.6 million for the three months ended March 31, 2003 and 2002, respectively. In 2002, $23.2 million of lease expense was for residual value guarantees related to the termination of certain synthetic leases as part of the Company s Refinancing Plan.

Future minimum lease payments as of March 31, 2003 were as follows (in thousands):

Year 1	$ 44,863
Year 2	45,635
Year 3	46,328
Year 4	47,038
Year 5	47,777
Thereafter	393,712
	$625,353

Regulatory Requirements

Federal, state and local governments and agencies regulate various aspects of the Company s business. The development and operation of senior living facilities and the provision of health care services are subject to federal, state, and local licensure, certification, and inspection laws that regulate, among other matters, the number of licensed beds, the provision of services, the distribution of pharmaceuticals, marketing and maintaining entrance fee contracts, billing practices and policies, equipment, staffing (including professional licensing), operating policies and procedures, fire prevention measures, environmental and medical waste matters, and compliance with building and safety codes. The Company is also subject to provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which protects the privacy and security of certain health information. Failure to comply with these laws and regulations could result in, among other things, the denial of reimbursement, the imposition of fines, temporary suspension of admission of new residents, restrictions on marketing entrance fee contracts, suspension or decertification from the Medicare programs, restrictions on the ability to acquire new facilities or expand existing facilities, and, in extreme cases, the revocation of a community s license or closure of a community. The Company has implemented various programs to meet these regulations, and management believes the Company was in compliance with all applicable regulations at March 31, 2003.

Guarantees

At March 31, 2003 the Company had guaranteed mortgage debt totaling $51.6 million, related to four communities and a like-kind exchange acquired in 2001. The mortgage debt guaranteed by the Company relates to a Retirement Center under a long-term management agreement, a Retirement Center under a long-term operating lease and the Company s two joint ventures.

Other

A portion of the Company s skilled nursing revenues are attributable to reimbursements under Medicare. Certain temporary rate add-ons for the Company s skilled nursing reimbursement rates under the Prospective Payment System expired October 1, 2002. The expiration of these rate add-ons resulted in a negative impact on revenues of the Company of approximately $400,000 in the fourth quarter of 2002, which the Company anticipates will continue.

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In addition, certain per person annual Medicare reimbursement limits on therapy services, which had been temporarily suspended, will become effective on July 1, 2003. During 2002, the Company had approximately $10.0 million of revenue that would be subject to these new per person reimbursement limitations. While the Company is unable to quantify the impact that these new rules will have, it is expected that the reimbursement limitations will reduce therapy revenues, and negatively impact the Company s operating results. The Company expects that growth in its therapy business, as a result of additional clinics and expansion of existing programs, will at least partially offset the impact of these new limits.

9. Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others*, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002 and have been included in the Notes to the condensed consolidated financial statements included herein. The impact on the Company s financial statements from the application of the recognition and measurement provisions of the Interpretation is dependent on the level of guarantees issued or modified in 2003. No guaranties were issued or modified during the quarter ended March 31, 2003 which were impacted by the provisions of FASB Interpretation No. 45.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, an interpretation of ARB No. 51. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Company does not have any variable interest entities as of March 31, 2003. Accordingly, the adoption of this Interpretation is not expected to have a material effect on the Company s financial statements.

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

Overview

The Company is a national senior living and health care services provider offering a broad range of care and services to seniors within a residential setting. The range of the Company s services include independent living (IL), assisted living (AL), memory enhancement services, with special programs and living units for residents with Alzheimer s and other forms of dementia (ME) and skilled nursing (SNF) services. The Company manages and evaluates its performance based on three segments: (1) Retirement Centers, (2) Free-standing assisted living residences (Free-standing AL s) and (3) Management services. The Company currently operates and manages 65 senior living communities in 14 states with an aggregate unit capacity of approximately 12,900 units and resident capacity of approximately 14,400. The Company currently owns 23 communities, leases 36 communities pursuant to long-term leases, and manages six communities.

The Retirement Centers are well-established communities, and generally maintain high and consistent occupancy levels, most with waiting lists of prospective residents. The Retirement Centers are of two basic types: (i) continuing care retirement communities that provide a full continuum of IL, AL, and SNF services; and (ii) congregate living communities which offer IL and AL, but do not provide SNF services. The majority of the Company s Retirement Centers operate under a monthly service fee rental structure (the MSF Retirement Centers). In addition, six of the Company s Retirement Centers are entrance fee communities (the EF Communities), which provide housing and health care services through limited lifecare contracts and entrance fee agreements with residents. Under these agreements, in addition to monthly service fees, at initial occupancy the residents also pay entrance fees that average approximately $158,000 per independent living unit. Depending on the type of entrance fee contract, portions of the entrance fees are refundable to the residents upon satisfaction of certain conditions.

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The Company s Retirement Centers form the core segment of the Company s business and comprise 32 of the 65 communities that the Company operates or manages, with approximately 9,900 units, representing approximately 77% of the total unit capacity of the Company s communities (including Freedom Square, a 735 unit EF Community that the Company manages under a long-term management contract). The Company s Retirement Centers occupancy rates increased from 91% as of March 31, 2002 to 93% as of March 31, 2003. Occupancy as of December 31, 2002 was 94%.

The Company has 33 Free-standing ALs with approximately 3,000 units. The Company s Free-standing ALs provide specialized assisted living care to residents in a comfortable residential atmosphere. Free-standing ALs are much smaller than Retirement Centers and are stand-alone communities that are not located on a Retirement Center campus. They provide personalized care plans for each resident, extensive activity programs, and access to therapy or other services as needed. Most of the Free-standing ALs also provide specialized care such as Alzheimer s, memory enhancement and other dementia programs. Most of the Company s Free-standing ALs were developed and opened during 1999 and 2000. The Company s portfolio of Free-standing ALs is currently in the process of completing its fill-up stage. The occupancy of the Company s Free-standing ALs increased from 68% as of March 31, 2002 to 81% as of March 31, 2003. Occupancy as of December 31, 2002 was 80%.

The tables below segregate the Company s portfolio of communities between Retirement Centers and Free-standing ALs, listing the number of communities owned, leased or managed within each group, and the unit capacity and occupancy as of March 31, 2003 and March 31, 2002:

	March 31, 2003						
		Unit Capacity					
	# of Communities	IL	AL	ME	SNF	Total	Occupancy
Retirement Centers:							
Owned	11	2,429	409	99	477	3,414	95%
Leased	15	2,888	644	111	745	4,388	93%
Managed	6	1,293	285	158	362	2,098	91%
Sub-total	32	6,610	1,338	368	1,584	9,900	93%
Free-standing ALs:							
Owned	12	70	834	223		1,127	77%
Leased	21	15	1,465	390		1,870	83%
Sub-total	33	85	2,299	613		2,997	81%
Total	65	6,695	3,637	981	1,584	12,897	90%

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	March 31, 2002						
		Unit Capacity					
	# of Communities	IL	AL	ME	SNF	Total	Occupancy
Retirement Centers:							
Owned							

ndent on Robert Forrester, our President and Chief Executive Officer, Daniel Paterson, our Chief Operating Officer, Robert Gagnon, our Chief Financial Officer, and Joseph Lobacki, our Chief Commercial Officer, as well as the other principal members of our management and scientific teams. Although we have formal employment agreements with Robert Forrester, Daniel Paterson, Robert Gagnon and Joseph Lobacki, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the

achievement of our research, development and commercialization objectives.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies, universities and research institutions for similar personnel. Although we have implemented a retention plan for certain key employees, our retention plan may not be successful in incentivizing these employees to continue their employment with us. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors, including our scientific co-founders, may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We may expand our development, regulatory and sales and marketing capabilities over time, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We may experience significant growth over time in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs and sales and marketing. To manage our anticipated future growth, we may continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel when we expand. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Our business and operations may be materially adversely affected in the event of computer system breaches or failures.

Despite the implementation of security measures, our internal computer systems, and those of our contract research organizations and other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, natural disasters, fire, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our key business processes and clinical development programs. For example, the loss of clinical trial data from ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could be exposed to liability, which could have a material adverse effect on our

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operating results and financial condition and possibly delay the further development and commercialization of COPIKTRA and our other product candidates.

Risks Related to the Notes

The notes will be effectively subordinated to our existing and future secured indebtedness and structurally subordinated to the liabilities of our subsidiary.

The notes will be our senior, unsecured obligations and will rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes, equal in right of payment with our existing and future indebtedness that is not so subordinated and effectively subordinated to our existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness. In addition, because our subsidiary will not guarantee the notes, the notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiary. As of June 30, 2018, excluding our subsidiary, we had $25.0 million of indebtedness, all of which was senior, secured indebtedness. The indenture governing the notes will not prohibit us or our subsidiary from incurring additional indebtedness, including senior or secured indebtedness, in the future.

If a bankruptcy, liquidation, dissolution, reorganization or similar proceeding occurs with respect to us, our assets that secure debt will be available to pay obligations on the notes only after such debt has been repaid in full. The remaining assets, if any, would then be allocated pro rata among the holders of our senior, unsecured indebtedness, including the notes. There may be insufficient assets to pay all amounts then due.

If a bankruptcy, liquidation, dissolution, reorganization or similar proceeding occurs with respect to our subsidiary, then we, as a direct or indirect common equity owner of that subsidiary (and, accordingly, holders of our indebtedness, including the notes), will be subject to the prior claims of that subsidiary's creditors, including trade creditors and preferred equity holders. We may never receive any amounts from that subsidiary to satisfy amounts due under the notes.

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the notes.

As of June 30, 2018, we had approximately $25.0 million of consolidated indebtedness. We will incur $150.0 million of additional indebtedness as a result of this offering. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

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Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the notes, and our cash needs may increase in the future. Our borrowings under the Amended Loan Agreement are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. In addition, the Amended Loan Agreement contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full. For a description of our outstanding indebtedness, see "Description of Other Indebtedness."

We may be unable to raise the funds necessary to repurchase the notes for cash following a fundamental change or on the optional repurchase dates, or to pay any cash amounts due upon conversion, and our other indebtedness limits our ability to repurchase the notes.

Noteholders may require us to repurchase their notes following a fundamental change or on each of November 1, 2023, November 1, 2028, November 1, 2033, November 1, 2038 and November 1, 2043 (or, if any such date is not a business day, on the next business day), at a cash repurchase price generally equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. See "Description of Notes Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change" and " Repurchase at Option of Noteholders Upon Specified Dates." In addition, until the "authorized share effective date" (as defined in this prospectus supplement), we may be required to settle a portion of our conversion obligation in cash. See "Description of Notes Conversion Rights Settlement upon Conversion Cash Settlement Requirement."

We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the notes or to pay any cash amounts due upon conversion. In addition, the Amended Loan Agreement restricts our ability to repurchase the notes, and applicable law, regulatory authorities and agreements governing our future indebtedness may restrict our ability to repurchase the notes. Our failure to repurchase notes when required, or to pay any cash amounts due upon conversion, will constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the notes.

Not all dilutive events will result in an adjustment to the conversion rate.

We will adjust the conversion rate of the notes for certain events, including:

certain stock dividends, splits and combinations;

the issuance of certain rights, options or warrants to holders of our common stock;

certain distributions of assets, debt securities, capital stock or other property to holders of our common stock;

cash dividends on our common stock; and

certain tender or exchange offers.

See "Description of Notes Conversion Rights Conversion Rate Adjustments." We are not required to adjust the conversion rate for other events, such as an issuance of common stock (or

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securities exercisable for, or convertible into, common stock) for cash, which may adversely affect the trading price of the notes and our common stock. An event may occur that adversely affects the noteholders and the trading price of the notes and the underlying shares of our common stock but that does not result in an adjustment to the conversion rate.

Not all significant restructuring transactions will constitute a fundamental change, in which case you will not have the right to require us to repurchase your notes for cash.

If certain corporate events called "fundamental changes" occur, you will have the right to require us to repurchase your notes for cash. See "Description of Notes Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change." However, the definition of "fundamental change" is limited to specific corporate events and does not include all events that may adversely affect our financial condition or the trading price of the notes. For example, a leveraged recapitalization, refinancing, restructuring or acquisition by us may not constitute a fundamental change that would require us to repurchase the notes. Nonetheless, these events could significantly increase the amount of our indebtedness, harm our credit rating or adversely affect our capital structure and the trading price of the notes.

The increase to the conversion rate resulting from a make-whole fundamental change may not adequately compensate noteholders for the lost option value of their notes. In addition, a variety of transactions that do not constitute a make-whole fundamental change may significantly reduce the option value of the notes without a corresponding increase to the conversion rate.

If certain corporate events that constitute a "make-whole fundamental change" occur, then we will, in certain circumstances, temporarily increase the conversion rate. See "Description of Notes Conversion Rights Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change." The amount of the increase to the conversion rate will depend on the date on which the make-whole fundamental change becomes effective and the applicable "stock price." While the increase to the conversion rate is designed to compensate noteholders for the lost option value of their notes resulting from a make-whole fundamental change, the increase is only an approximation and may not adequately compensate noteholders for the loss in option value. In addition, if the applicable "stock price" is greater than $ per share or less than $ per share (in each case, subject to adjustment), or if the make-whole fundamental change occurs after November 1, 2022, then we will not increase the conversion rate for the make-whole fundamental change. Moreover, we will not increase the conversion rate pursuant to these provisions to an amount that exceeds shares per $1,000 principal amount of notes, subject to adjustment.

Furthermore, the definition of make-whole fundamental change is limited to certain specific transactions. Accordingly, the make-whole fundamental change provisions of the indenture will not protect noteholders from other transactions that could significantly reduce the option value of the notes. For example, a spin-off or sale of a subsidiary or business division with volatile earnings, or a change in our line of business, could significantly affect the trading characteristics of our common stock and reduce the option value of the notes without constituting a make-whole fundamental change that results in a temporary increase to the conversion rate.

In addition, our obligation to increase the conversion rate in connection with a make-whole fundamental change could be considered a penalty, in which case its enforceability would be subject to general principles of reasonableness and equitable remedies.

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There is currently no trading market for the notes. If an active trading market for the notes does not develop, then noteholders may be unable to resell their notes at desired times or prices, or at all.

The notes are a new class of securities for which no market currently exists. We do not intend to apply to list the notes on any securities exchange or for quotation on any inter-dealer quotation system. Accordingly, an active market for the notes may never develop, and, even if one develops, it may not be maintained. If an active trading market for the notes does not develop or is not maintained, then the market price and liquidity of the notes will be adversely affected and noteholders may not be able to resell their notes at desired times or prices, or at all.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the trading price of our common stock, prevailing interest rates, our dividend yield, financial condition, results of operations, business, prospects and credit quality relative to our competitors, the market for similar securities and the overall securities market. Many of these factors are beyond our control. Historically, the market for convertible debt has been volatile. Market volatility could significantly harm the market for the notes, regardless of our financial condition, results of operations, business, prospects or credit quality.

The trading price of our common stock, the condition of the financial markets, prevailing interest rates and other factors could significantly affect the trading price of the notes.

We expect that the trading price of our common stock will significantly affect the trading price of the notes, which could result in greater volatility in the trading price of the notes than would be expected for non-convertible securities. The trading price of our common stock will likely continue to fluctuate in response to the factors described or referred to elsewhere in this section and under the caption "Cautionary Note Regarding Forward-Looking Statements," among others, many of which are beyond our control.

In addition, the condition of the financial markets and changes in prevailing interest rates can have an adverse effect on the trading price of the notes. For example, prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, and we would expect an increase in prevailing interest rates to depress the trading price of the notes.

The issuance or sale of shares of our common stock, or rights to acquire shares of our common stock, could depress the trading price of our common stock and the notes.

We may conduct future offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. In addition, we have reserved 11,390,340 shares of our common stock issuable upon the exercise of stock options outstanding under our equity incentive plans, as of June 30, 2018, at a weighted average price of $4.84 per share; 162,125 shares of our common stock issuable pursuant to unvested restricted stock units outstanding as of June 30, 2018; 644,651 shares of our common stock available for future issuance as of June 30, 2018 under our 2012 equity incentive plan; and 2,483,000 shares of our common stock available for future issuance as of June 30, 2018 under our 2014 Inducement Award Program. The indenture for the notes will not restrict our ability to issue additional equity securities in the future. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock, and, accordingly, the trading price of the notes may significantly decrease. In addition, our issuance of additional shares of common stock will dilute the ownership interests of our existing common stockholders, including noteholders who have received shares of our common stock upon conversion of their notes.

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We will make only very limited covenants in the indenture, and these limited covenants may not protect your investment.

Many debt instruments contain provisions that are designed to restrict the borrower's activities and operations in a manner that is designed to preserve the borrower's ability to make payments on the related indebtedness when due. These provisions include financial and operating covenants, and restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the borrower or any of its subsidiaries. The indenture for the notes will not contain any of these covenants or restrictions or otherwise place any meaningful restrictions on our ability to operate our business as management deems appropriate. As a result, your investment in the notes may not be as protected as an investment in an instrument that contains some or all of these types of covenants and restrictions.

The accounting method for convertible debt securities that may be required to be settled in cash, such as the notes we are offering, could have a material effect on our reported financial results.

We currently have 100,000,000 authorized shares of common stock, of which 73,725,344 shares were outstanding as of October 5, 2018. After giving effect to the shares reserved for issuance pursuant to our 2012 equity incentive plan and 2014 Inducement Award Program, we would have a total of 11,740,185 authorized but unissued shares available to settle the conversion of the notes we are offering, which will be insufficient to settle the conversion of all the notes we are offering. We will agree in the indenture to use our reasonable best efforts to increase the number of authorized shares of our common stock to an amount that is sufficient to cover the settlement of the conversion of all outstanding notes, as described in this prospectus supplement. However, increasing the number of authorized shares of our common stock will require the approval of our stockholders to amend the related provision of our restated certificate of incorporation, and we may not be able to obtain such stockholder approval. We refer to the first date on which we increase the number of authorized shares of our common stock, and reserve a number of share sufficient to cover conversions, as described in this prospectus supplement as the "authorized share effective date." Until the authorized share effective date, we will, upon conversion, be required to settle any deficiency in cash based on the daily VWAP of our common stock over a specified period of time. See "Description of Notes Conversion Rights Settlement upon Conversion Cash Settlement Requirement."

We expect that, before the authorized share effective date, applicable accounting standards will require us to separately account for the conversion option associated with the notes as an embedded derivative. Under this treatment, the conversion option of the notes will be measured at its fair value and accounted for separately as a liability that is marked-to-market at the end of each reporting period. The initial value allocated to the conversion option will be treated as a debt discount that will be amortized into interest expense over the term of the notes. For each financial statement period after the issuance of the notes until the authorized share effective date, a gain (or loss) will be reported in our statement of operations to the extent the valuation of the conversion option changes from the previous period. This accounting treatment may subject our reported net income (loss) to significant non-cash volatility. In addition, as a result of the amortization of the debt discount, the interest expense associated with the notes will be greater than the coupon rate on the notes, which will result in lower reported net income or higher reported net loss. If the authorized share effective date occurs, then we expect that the conversion option will qualify for equity treatment at that time and will no longer be marked to market at the end of each reporting period. However, the authorized share effective date may never occur.

We have not reached a final determination regarding the accounting treatment for the notes, and the description above is preliminary. Accordingly, we may account for the notes in manner that is significantly different than described above.

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Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the notes.

We expect that many investors in the notes, including potential purchasers of the notes from investors in this offering, will seek to employ a convertible note arbitrage strategy. Under this strategy, investors typically short sell a certain number of shares of our common stock and adjust their short position over time while they continue to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of, or in addition to, short selling shares of our common stock.

The SEC and other regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). These rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc., and the national securities exchanges of a "limit up-limit down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts investors' ability to effect short sales of our common stock or enter into equity swaps on our common stock could depress the trading price of, and the liquidity of the market for, the notes.

In addition, the liquidity of the market for our common stock may decline, which could reduce the number of shares available for lending in connection with short sale transactions and the number of counterparties willing to enter into an equity swap on our common stock with a note investor. If investors and potential purchasers seeking to employ a convertible note arbitrage strategy are unable to borrow or enter into equity swaps on our common stock on commercially reasonable terms, then the trading price of, and the liquidity of the market for, the notes may significantly decline.

You may be subject to tax if we adjust, or fail to adjust, the conversion rate of the notes, even though you will not receive a corresponding cash distribution.

We will adjust the conversion rate of the notes for certain events, including the payment of cash dividends. If we adjust the conversion rate, then you may be deemed, for U.S. federal income tax purposes, to have received a taxable dividend to the extent of our earnings and profits, without the receipt of any cash. In addition, if we do not adjust (or adjust adequately) the conversion rate after an event that increases your proportionate interest in us, then you could be deemed to have received a deemed taxable dividend. If a make-whole fundamental change occurs on or before November 1, 2022, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. The deemed dividend may be subject to U.S. federal withholding tax or backup withholding, which may be set off against payments on the notes (including upon conversion, repayment or maturity) or our common stock, or from sales proceeds subsequently paid or credited to you, or from your other funds or assets. The U.S. Internal Revenue Service proposed regulations addressing the amount and timing of deemed distributions, obligations of withholding agents and filing and notice obligations of issuers, which, if adopted, could affect the U.S. federal income tax treatment of investors deemed to receive such a distribution. See "Description of Notes Conversion Rights Conversion Rate Adjustments" and "Certain U.S. Federal Income Tax Considerations."

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The U.S. federal income tax treatment of the notes is not entirely clear in certain respects and it is possible that interest on the notes may be subject to U.S. withholding tax and not deductible for income tax purposes.

The tax treatment of certain features of the notes is not entirely clear, including our right, exercisable at our election, to cause all notes then outstanding to be automatically converted in certain circumstances. Such features may result in the Internal Revenue Service, or the IRS, asserting that the notes are treated as equity by us, starting on the issue date, or may otherwise result in interest on the notes not being deductible for income tax purposes pursuant to rules applicable to debt instruments that may be paid in equity of the issuer. If characterization of the notes as equity were to prevail, the U.S. tax treatment for holders described below would be materially different, including that the U.S. withholding tax could apply with respect to interest paid to non-U.S. holders of the notes. If interest on the notes is not deductible, either due to the notes being recharacterized as equity or due to applicability of rules regarding debt instruments payable in equity of the issuer, we may be required to pay a greater amount of income taxes or pay income taxes sooner than if the interest on the notes was deductible.

Prospective investors are urged to consult with their own tax advisers concerning the potential risk of such treatment. See "Certain U.S. Federal Income Tax Considerations" for further discussion.

A rating agency may not rate the notes or may assign a rating that is lower than expected.

We do not intend to seek to have the notes rated by any rating agency. However, if one or more rating agencies rates the notes and assigns a rating that is lower than the rating that investors expect, or reduces their rating in the future, then the trading price of our common stock and the notes could significantly decline.

In addition, market perceptions of our creditworthiness will directly affect the trading price of the notes. Accordingly, if a ratings agency rates any of our indebtedness in the future or downgrades or withdraws the rating, or puts us on credit watch, then the trading price of the notes will likely decline.

Provisions in the indenture could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the notes and the indenture could make a third-party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our common stock may view as favorable.

Our management may spend the proceeds of this offering in ways with which you may disagree or that may not be profitable.

We intend to use the net proceeds to us from this offering for the continued clinical development of COPIKTRA and our other lead product candidates and the balance to fund working capital, capital expenditures and other general corporate purposes, which may include the acquisition or in-license of additional compounds, product candidates or technology. However, our management will have broad discretion to apply the net proceeds, and investors will rely on our management's judgment in spending the net proceeds. Our management may use the proceeds in ways that do not earn a profit or otherwise result in the creation of stockholder value. In addition, pending our use of the proceeds, we may invest the proceeds primarily in instruments that do not produce significant income or that may lose value.

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Because the notes will initially be held in book-entry form, noteholders must rely on DTC's procedures to exercise their rights and remedies.

We will initially issue the notes in the form of one or more "global notes" registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in global notes will be shown on, and transfers of global notes will be effected only through, the records maintained by DTC. Except in limited circumstances, we will not issue certificated notes. See "Description of Notes Book-Entry, Settlement and Clearance." Accordingly, if you own a beneficial interest in a global note, then you will not be considered an owner or holder of the notes. Instead, DTC or its nominee will be the sole holder of the notes. Payments of principal, interest and other amounts on global notes will be made to the paying agent, who will remit the payments to DTC. We expect that DTC will then credit those payments to the DTC participant accounts that hold book-entry interests in the global notes and that those participants will credit the payments to indirect DTC participants. Unlike persons who have certificated notes registered in their names, owners of beneficial interests in global notes will not have the direct right to act on our solicitations for consents or requests for waivers or other actions from noteholders. Instead, those beneficial owners will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC or, if applicable, a DTC participant. The applicable procedures for the granting of these proxies may not be sufficient to enable owners of beneficial interests in global notes to vote on any requested actions on a timely basis.

Holding notes will not, in itself, confer any rights with respect to our common stock.

Noteholders will generally not be entitled to any rights with respect to our common stock (including voting rights and rights to receive any dividends or other distributions on our common stock). However, noteholders will be subject to all changes affecting our common stock to the extent the trading price of the notes depends on the market price of our common stock and to the extent they receive shares of our common stock upon conversion of their notes. For example, if we propose an amendment to our charter documents that requires stockholder approval, then a noteholder will not, as such, be entitled to vote on the amendment, although the noteholder will be subject to any changes implemented by that amendment in the powers, preferences or special rights of our common stock.

The price of our common stock historically has been volatile. This volatility may affect the price at which you could sell the common stock you receive upon conversion of your notes, and the sale of substantial amounts of our common stock could adversely affect the price of our common stock and the value of your notes.

For the twelve-month period ending on September 30, 2018, the market price for our common stock has varied between a high of $10.35 on September 4, 2018 and a low of $2.77 on April 3, 2018. This volatility may affect the price at which you could sell the common stock you receive upon conversion of your notes, and the sale of substantial amounts of our common stock could adversely affect the price of our common stock and the value of your notes. Our stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors; variations in our quarterly operating results from our expectations or those of securities analysts or investors; downward revisions in securities analysts' estimates; certain regulatory decisions; and announcement by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments.

In addition, the sale of substantial amounts of our common stock could adversely impact its price. As of June 30, 2018, we had 73,579,699 shares of our common stock outstanding and 11,552,465 shares of our common stock subject to outstanding stock options and restricted stock units (of which approximately 11,047,340 were exercisable as of that date). The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock, and the value of your notes, to decline.

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Delaware law and our charter documents may impede or discourage a takeover, which could reduce the market price of our common stock and the value of your notes.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. In addition, our board of directors or a committee thereof has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock. The ability of our board of directors or a committee thereof to create and issue a new series of preferred stock and certain provisions of Delaware law and our certificate of incorporation and bylaws could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock and the value of your notes.

Risks Related to Our Common Stock

Provisions in our corporate charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

establish a classified board of directors such that not all members of the board are elected at one time;

allow the authorized number of our directors to be changed only by resolution of our board of directors;

limit the manner in which stockholders can remove directors from the board;

establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;

require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;

limit who may call stockholder meetings;

authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and

require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years

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after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

The market price of our common stock has been, and may continue to be, highly volatile.

Our stock price has been volatile. Since January 27, 2012, when we became a public company, the price for one share of our common stock has reached a high of $18.82 and a low of $1.05 through September 30, 2018. We cannot predict whether the price of our common stock will rise or fall. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- results of clinical trials of our product candidates or those of our competitors;
- the success of commercializing COPIKTRA;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

In addition, the stock market in general and the market for small pharmaceutical companies and biotechnology companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the market, securities class action litigation has often been instituted against

companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business and financial condition.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be the source of gain for our stockholders.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings to finance the growth and development of our business. In addition, the terms of any current or future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

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We have limited experience in marketing and commercializing product candidates. If we are unable to successfully maintain and further develop internal commercialization capabilities, establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, sales of COPIKTRA may be negatively impacted and we may not be successful in commercializing our other product candidates if and when they are approved.

We have limited experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either develop a sales and marketing organization or outsource these functions to third parties.

We have hired a commercial team and implemented the organizational infrastructure we believe we need for a successful commercial launch of COPIKTRA. We will need to commit significant time and financial and managerial resources to maintain and further develop our marketing and sales force to ensure they have the technical expertise required to address any challenges we may face with the commercialization of COPIKTRA. Factors that may inhibit our efforts to maintain and develop our commercialization capabilities include:

- an inability to retain an adequate number of effective commercial personnel;
- an inability to train sales personnel, who may have limited experience with our company or COPIKTRA, to deliver a consistent message regarding COPIKTRA and be effective in persuading physicians to prescribe COPIKTRA;
- an inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe COPIKTRA or any other product candidates;
- an inability of third-parties to manufacture COPIKTRA consistently in commercial quantities, at acceptable costs and on expected timelines;
- a lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines;
- an inability to equip sales personnel with effective materials, including medical and sales literature to help them educate physicians and other healthcare providers regarding COPIKTRA; and
- unforeseen costs and expenses associated with maintaining and further developing an independent sales and marketing organization.

If we are not successful in establishing and maintaining an effective sales and marketing infrastructure, we will have difficulty commercializing COPIKTRA, which would adversely affect our business and financial condition.

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents and information incorporated by reference into this prospectus supplement and the accompanying prospectus, contains forward-looking statements about our strategy, future operations, future financial position, future plans and prospects, including statements regarding the development and activity of our lead product COPIKTRA, and our PI3K and FAK programs generally, our intent to commercialize COPIKTRA, the potential commercial success of COPIKTRA, the anticipated adoption of COPIKTRA by patients and physicians, the structure of our planned and pending clinical trials and the timeline and indications for clinical development, regulatory submissions and commercialization activities. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include, among other things, uncertainties regarding the launch timing and commercial success of COPIKTRA in the United States; uncertainties regarding physician and patient adoption of COPIKTRA, including those related to the safety and efficacy of COPIKTRA; the uncertainties inherent in research and development of COPIKTRA, such as negative or unexpected results of clinical trials; whether and when any applications for COPIKTRA may be filed with regulatory authorities in any other jurisdictions; whether and when regulatory authorities in any other jurisdictions may approve any such other applications that may be filed for COPIKTRA, which will depend on the assessment by such regulatory authorities of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted and, if approved, whether COPIKTRA will be commercially successful in such jurisdictions; our ability to obtain, maintain and enforce patent and other intellectual property protection for COPIKTRA and our other product candidates; the scope, timing, and outcome of any legal proceedings; decisions by regulatory authorities regarding labeling and other matters that could affect the availability or commercial potential of COPIKTRA; that regulatory authorities in the U.S. or other jurisdictions, if approved, could withdraw approval; whether preclinical testing of our product candidates and preliminary or interim data from clinical trials will be predictive of the results or success of ongoing or later clinical trials; that the timing, scope and rate of reimbursement for our product candidates is uncertain; the risk that third-party payors (including government agencies) will not reimburse for COPIKTRA; that there may be competitive developments affecting our product candidates; that data may not be available when expected; that enrollment of clinical trials may take longer than expected; that COPIKTRA or our other product candidates will cause unexpected safety events, experience manufacturing or supply interruptions or failures, or result in unmanageable safety profiles as compared to their levels of efficacy; that COPIKTRA will be ineffective at treating patients with lymphoid malignancies; that we will be unable to successfully initiate or complete the clinical development and eventual commercialization of our product candidates; that the development and commercialization of our product candidates will take longer or cost more than planned; that we may not have sufficient cash to fund our contemplated operations; that we or Infinity will fail to fully perform under the duvelisib license agreement; that we may be unable to make additional draws under our debt facility or obtain adequate financing in the future through product licensing, co-promotional arrangements, public or private equity, debt financing or otherwise; that we will not pursue or submit regulatory filings for our product candidates, including for duvelisib in patients with CLL/SLL or FL in other jurisdictions; and that our product candidates will not receive regulatory approval, become commercially successful products, or result in new treatment options being offered to patients.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements we make. In particular, you should consider the numerous risks described in the "Risk Factors" section of this prospectus

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supplement and the accompanying prospectus, in the "Risk Factors" section incorporated by reference to our most recent Annual Report on Form 10-K and in our subsequent filings with the SEC.

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

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $ million, after deducting estimated fees and our estimated offering expenses. We intend to use the net proceeds from this offering for:

- the continued clinical development of COPIKTRA and our other lead product candidates; and
- the balance to fund working capital, capital expenditures and other general corporate purposes, which may include the acquisition or in-license of additional compounds, product candidates or technology.

We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and investments, will be sufficient to fund our projected operating expenses and capital expenditures beyond the next twelve months. Our expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the progress of our development efforts, the status of and results from clinical trials, as well as any collaborations that we may enter into with third parties for our product candidates, and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering. Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments and U.S. government securities.

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CAPITALIZATION

The following table presents our cash and cash equivalents and our capitalization as of June 30, 2018:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance and sale of $150,000,000 aggregate principal amount of the notes we are offering, after deducting estimated fees and our estimated offering expenses.

This table should be read in conjunction with the other information in this prospectus supplement, the accompanying prospectus and the documents that are incorporated by reference herein, including our consolidated financial statements and related notes.

	As of June 30, 2018	
	Actual	As adjusted
	(In thousands, except share and per share data)	
Cash and cash equivalents(1)(2)	$ 168,692	$
Debt:		
Principal amount outstanding under term loans	$ 25,000	$ 25,000
Principal amount of % convertible senior notes due 2048 we are offering(3)		150,000
Total debt	25,000	175,000
Stockholders' equity:		
Preferred stock, $0.0001 par value per share; 5,000,000 shares authorized, no shares outstanding, actual and as adjusted		
Common stock, $0.0001 par value per share; 100,000,000 shares authorized, 73,579,699 shares outstanding, actual and as adjusted(4)	7	7
Additional paid-in capital	469,415	469,415
Accumulated other comprehensive income	4	4
Accumulated deficit	(342,559)	(342,559)
Total stockholders' equity	126,867	126,867
Total capitalization	$ 151,867	$ 301,867

(1) Cash and cash equivalents "as adjusted" include estimated proceeds from the sale of the notes offered hereby, net of estimated fees and our estimated offering expenses. We intend to use the net proceeds from this offering, together with our existing capital resources, for the continued clinical development of COPIKTRA and our other lead product candidates and the balance to fund working capital, capital expenditures and other general corporate purposes, which may include the acquisition or in-license of additional compounds, product candidates or technology.

(2) Cash and cash equivalents do not include the $15.0 million non-refundable upfront payment from CSPC Pharmaceutical Group Limited, or CSPC, owed to us by November 2018 pursuant to an agreement entered into with CSPC in September 2018 or the $22.0 million payment we owe to Infinity pursuant to the terms of our amended and restated license agreement with Infinity, which payment is due within 45 days after the approval of COPIKTRA in the United States by the FDA. The $22.0 million payment may be paid in cash or shares of our common stock.

(3)

The amounts shown in the table above for the notes we are offering represent their principal amount. However, applicable accounting standards may require separate accounting for the debt component and the conversion option the notes. See "Risk Factors The accounting method for

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convertible debt securities that may be required to be settled in cash, such as the notes we are offering, could have a material effect on our reported financial results."

(4)

The number of shares of common stock issued and outstanding in the actual and as adjusted columns in the table above is based on 73,579,699 shares outstanding as of June 30, 2018, and excludes:

11,390,340 shares of our common stock issuable upon the exercise of stock options outstanding under our equity incentive plans, as of June 30, 2018, at a weighted average price of $4.84 per share;

162,125 shares of our common stock issuable pursuant to unvested restricted stock units outstanding as of June 30, 2018;

2,483,000 shares of our common stock available for future issuance as of June 30, 2018 under our 2014 Inducement Award Program;

644,651 shares of our common stock available for future issuance as of June 30, 2018 under our 2012 equity incentive plan, plus up to a maximum of 68,571 shares of our common stock subject to outstanding awards under our 2010 equity incentive plan that could expire, be terminated or otherwise be surrendered, cancelled, forfeited or repurchased; and

the shares of common stock reserved for issuance upon conversion of the notes being offered by us in this offering.

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PRICE RANGE OF COMMON STOCK

Our common stock trades on The Nasdaq Global Market under the symbol "VSTM." The following table sets forth, for the periods indicated, the high and low intraday sales prices of our common stock as reported on The Nasdaq Global Market. On October 10, 2018, the last reported sale price of our common stock was $6.26 per share.

	Common Stock					
	2018		2017		2016	
	High	Low	High	Low	High	Low
First Quarter	$ 4.04	$ 2.81	$ 2.25	$ 1.11	$ 1.89	$ 1.05
Second Quarter	$ 9.07	$ 2.77	$ 2.54	$ 1.61	$ 1.93	$ 1.19
Third Quarter	$ 10.35	$ 6.55	$ 5.71	$ 2.11	$ 1.66	$ 1.27
Fourth Quarter	$ 7.40*	$ 6.25*	$ 4.92	$ 2.95	$ 1.55	$ 1.05

* Through October 10, 2018.

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DIVIDEND POLICY

We do not currently anticipate declaring or paying cash dividends on our capital stock in the foreseeable future. We currently intend to retain all of our future earnings, if any, to fund the development and growth of our business. In addition, our ability to pay dividends is currently restricted by the terms of our term loan facility with Hercules Capital, Inc. Any future determination to declare dividends will be subject to the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and covenants and other factors that our board of directors may deem relevant.

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DESCRIPTION OF NOTES

We will issue the notes under an indenture (the "base indenture"), to be dated as of the initial closing date of this offering, between us and Wilmington Trust, National Association, as trustee (the "trustee"), as supplemented by a supplemental indenture, to be dated as of the initial closing date of this offering. We refer to the base indenture as so supplemented as the "indenture."

In addition, the indenture and the notes will be deemed to include certain terms that are made a part of the indenture and the notes pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

The following is a summary of certain provisions of the notes and the indenture. It is only a summary and is not complete. We qualify this summary by referring you to the indenture and the notes, because they, and not this summary, define your rights as a holder of the notes. We will provide you with a copy of the indenture, which includes the form of the notes, as provided under the caption "Where You Can Find Additional Information."

Certain terms used in this summary are defined below under the caption " Definitions." Certain other terms used in this summary are defined in the indenture.

This "Description of Notes" section supplements and, to the extent inconsistent therewith, supersedes the information in the accompanying prospectus under the caption "Description of Debt Securities."

References to "we," "us" and "our" in this section refer to Verastem, Inc. only and not to any of its subsidiaries. References to any "note" in this section refer to any authorized denomination of a note, unless the context requires otherwise.

Generally

The notes will:

- be our general senior, unsecured obligations;
- initially be limited to an aggregate principal amount of $150,000,000;
- bear cash interest from, and including, , 2018, at an annual rate of %, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2019;
- bear special interest in the circumstances described below under the caption " Events of Default Special Interest as Sole Remedy for Certain Reporting Defaults";
- mature on November 1, 2048, unless earlier repurchased, redeemed or converted in accordance with the terms of the notes;
- will be redeemable, in whole or in part, at our option at any time, and from time to time, on or after November 1, 2022, at a cash redemption price equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, as described below under the caption " Redemption and Repurchase Right to Redeem";
- be subject to mandatory conversion at our election in the circumstances described below under the caption " Conversion Rights Issuer's Mandatory Conversion Option";
- be subject to repurchase by us at the noteholders' option if a "fundamental change" (as defined below under the caption " Definitions") occurs, at a cash repurchase price equal to the principal amount of the notes to be repurchased, plus accrued

and unpaid interest to, but excluding, the fundamental change repurchase date (subject to the right of noteholders on a record date to receive the related interest payment), as described below under the caption

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" Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change";

be subject to repurchase by us at the noteholders' option on each of November 1, 2023, November 1, 2028, November 1, 2033, November 1, 2038 and November 1, 2043 (or, if any such date is not a business day, on the next business day), at a cash repurchase price equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the optional repurchase date (subject to the right of noteholders on a record date to receive the related interest payment), as described below under the caption " Redemption and Repurchase Repurchase at Option of Noteholders Upon Specified Dates";

be convertible, at the noteholders' option, into shares of our common stock (together with cash in lieu of any fractional share, if applicable), at an initial conversion rate of shares per $1,000 principal amount of notes (which represents an initial conversion price of approximately $ per share), under the conditions, and subject to the adjustments, described below under the caption " Conversion Rights";

be issued in principal amount denominations of $1,000 or any integral multiple of $1,000 in excess thereof, which we refer to as an "authorized denomination"; and

initially be represented by one or more registered notes in global form, but may, in certain circumstances, be exchanged for notes in definitive form, as described below under the caption " Book Entry, Settlement and Clearance."

The indenture will not contain any financial covenants and will not limit us or our subsidiaries from incurring additional indebtedness, paying dividends or issuing or repurchasing any securities. Except to the extent described below under the captions " Conversion Rights Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change," " Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change" and " Consolidation, Merger and Asset Sale," the indenture will not contain any provisions designed to protect noteholders upon a highly leveraged transaction involving us or a decline in our credit rating as a result of a recapitalization, takeover, highly leveraged transaction or other restructuring involving us.

Without notice to or the consent of any noteholder, we may issue additional notes under the indenture with the same terms as the notes we are offering hereby (except for certain differences, such as the date as of which interest begins to accrue and the first interest payment date for such additional notes) in an unlimited aggregate principal amount. However, such additional notes must be identified by a separate CUSIP number or by no CUSIP number if they are not fungible, for federal income tax or federal securities laws purposes, with other notes we issue under the indenture.

We do not intend to list the notes on any securities exchange or include them in any automated inter-dealer quotation system.

Absent manifest error, a person in whose name a note is registered on the registrar's books will be considered to be the holder of that note for all purposes, and only registered noteholders (which, in the case of notes held through DTC, will initially be DTC's nominee, Cede & Co.) will have rights under the indenture as noteholders.

Subject to applicable law, we or our subsidiaries may directly or indirectly repurchase notes in the open market or otherwise, whether through private or public tender or exchange offers, cash-settled swaps or other cash-settled derivatives. The indenture requires us to promptly deliver to the trustee for cancellation all notes that we or our subsidiaries have purchased or otherwise acquired.

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Payments on the Notes

We will pay (or cause the paying agent to pay) the principal of, and interest on, any global note by wire transfer of immediately available funds. We will pay (or cause the paying agent to pay) the principal of, and interest on, any certificated note as follows:

- if the principal amount of such note is at least $5.0 million (or such lower amount as we may choose in our sole and absolute discretion) and the holder of such note entitled to such payment has delivered to the paying agent or the trustee, no later than the time set forth below, a written request to receive payment by wire transfer to an account of such holder within the United States, by wire transfer of immediately available funds to such account; and

- in all other cases, by check mailed to the address of such holder set forth in the note register.

To be timely, a written request referred to in the first bullet point above must be delivered no later than the "close of business" (as defined below under the caption " Definitions") on the following date: (i) with respect to the payment of any interest due on an interest payment date, the immediately preceding record date; and (ii) with respect to any other payment, the date that is 15 calendar days immediately before the date such payment is due.

If the due date for a payment on a note is not a "business day" (as defined below under the caption " Definitions"), then such payment may be made on the immediately following business day and no interest will accrue on such payment as a result of the related delay. Solely for purposes of the immediately preceding sentence, a day on which the applicable place of payment is authorized or required by law or executive order to close or be closed will be deemed not to be a "business day."

Registrar, Paying Agent and Conversion Agent

We will maintain one or more offices or agencies in the continental United States where notes may be presented for registration of transfer or for exchange, payment and conversion, which we refer to as the "registrar," "paying agent" and "conversion agent," respectively. We have appointed the trustee as the initial registrar, paying agent and conversion agent and its office in the United States as a place where notes may be presented for payment. However, we may change the registrar, paying agent and conversion agent, and we or any of our subsidiaries may choose to act in that capacity as well, without prior notice to the noteholders.

Transfers and Exchanges

For purposes of the notes, the description below under this section titled " Transfers and Exchanges," and the description further below under the caption " Book Entry, Settlement and Clearance," supersede the information in the accompanying prospectus under the captions "Description of Debt Securities Certificated Debt Securities" and " Global Securities."

A noteholder may transfer or exchange its notes at the office of the registrar in accordance with the indenture. We, the trustee and the registrar may require the noteholder to, among other things, deliver appropriate endorsements or transfer instruments, and such certificates or other documentation or evidence as we or they may reasonably require to determine that such transfer or exchange complies with applicable securities laws. No service charge will be imposed by us, the trustee or the registrar for any registration of transfer or exchange of notes, but we may require a noteholder to pay a sum sufficient to cover any transfer tax or other similar governmental charge required by law or permitted by the indenture. We, the trustee and the registrar may refuse to register the transfer or exchange of any note that is subject to conversion, redemption or required repurchase in connection with the exercise of a fundamental change repurchase right or an optional repurchase right.

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We have appointed the trustee's office in the United States as a place where notes may be presented for registration of transfer or for exchange. However, we may change the registrar or act as the registrar ourselves without prior notice to the noteholders.

The registered holder of a note will be treated as its owner for all purposes.

Interest

The notes will bear cash interest at an annual rate of %, payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2019, to the noteholders of record of the notes as of the close of business on the immediately preceding April 15 and October 15, respectively (whether or not a business day). Interest will accrue from, and including, the last date to which interest has been paid or duly provided for (or, if no interest has been paid or duly provided for, from, and including, the date the notes are initially issued) to, but excluding, the next interest payment date. Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

In addition to the stated interest on the notes referred to above, special interest will accrue on the notes in the circumstances described below under the caption " Events of Default Special Interest as Sole Remedy for Certain Reporting Defaults." All references in this prospectus supplement to interest on the notes include any special interest payable on the notes, unless the context requires otherwise.

Ranking

The notes will be our senior, unsecured obligations and will be:

- senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes;
- equal in right of payment with our existing and future indebtedness that is not so subordinated;
- effectively subordinated to our existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness; and
- structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our existing or future subsidiaries.

The indenture will not prohibit us from incurring additional indebtedness, including secured indebtedness, which would be effectively senior to the notes to the extent of the value of the collateral securing that indebtedness, or indebtedness that would rank equal in right of payment with the notes. The indenture will also not prohibit our subsidiaries from incurring any additional indebtedness or other liabilities that would be structurally senior to our obligations under the notes.

In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure any indebtedness will not be available to make payments under the notes unless all of that indebtedness is first paid in full. In the event of the bankruptcy, liquidation, reorganization or other winding up of any of our subsidiaries, we, as a common equity holder of that subsidiary, and, therefore, the noteholders, will rank behind that subsidiary's creditors, including that subsidiary's trade creditors, and (to the extent we are not a holder thereof) that subsidiary's preferred equity holders. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be effectively subordinated to any security interest of others in the assets of that subsidiary, to the extent of the value of those assets, and would be subordinated to any indebtedness of that subsidiary that is senior in right of payment to that held by us.

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Our subsidiaries will have no obligations under the notes. The ability of our subsidiaries to pay dividends or make other payments to us is restricted by, among other things, corporate and other laws and by future agreements to which our subsidiaries may become a party. Accordingly, we may be unable to gain access to the cash flow or assets of our subsidiaries to enable us to make payments on the notes.

As of June 30, 2018, excluding our subsidiaries, we had $25.0 million of indebtedness, all of which was senior, secured indebtedness.

See "Risk Factors The notes will be effectively subordinated to our existing and future secured indebtedness and structurally subordinated to the liabilities of our subsidiary."

Redemption and Repurchase

Right to Redeem

We may not redeem the notes at our option at any time before November 1, 2022. Subject to the terms of the indenture, we have the right, at our election, to redeem all, or any portion in an authorized denomination, of the notes, at any time and from time to time, on a redemption date on or after November 1, 2022, for cash. The redemption date will be a business day of our choosing that is no more than 60, nor less than 30, calendar days after the date we send the related redemption notice, as described below.

The redemption price for any note called for redemption will be the principal amount of such note plus accrued and unpaid interest on such note, if any, to, but excluding, the redemption date. However, if the redemption date is after a regular record date and on or before the next interest payment date, then (i) the holder of such note at the close of business on such regular record date will be entitled, notwithstanding such redemption, to receive, on or, at our election, before such interest payment date, the unpaid interest that would have accrued on such note to, but excluding, such interest payment date; and (ii) the redemption price will not include accrued and unpaid interest on such note to, but excluding, such redemption date.

We will send to each applicable noteholder notice of the redemption containing certain information set forth in the indenture, including the redemption price and the redemption date.

Notes called for redemption must be delivered to the paying agent (in the case of certificated notes) or the "depositary procedures" (as defined below under the caption " Definitions") must be complied with (in the case of global notes) for the holder of those notes to be entitled to receive the redemption price.

If only a portion of a note is subject to redemption and that note is converted in part, then the converted portion of that note will be deemed to be from the portion of that note that was subject to redemption.

Notwithstanding anything to the contrary above, we may not redeem any notes if the principal amount of the notes has been accelerated and such acceleration has not been rescinded on or before the redemption date (including as a result of the payment of the related redemption price and any related interest described above on the redemption date).

Repurchase at Option of Noteholders Upon a Fundamental Change

Generally

If a fundamental change occurs, then each noteholder will have the right (the "fundamental change repurchase right") to require us to repurchase its notes (or any portion thereof in an authorized denomination) for cash on a date (the "fundamental change repurchase date") of our choosing, which

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must be a business day that is no more than 35, nor less than 20, business days after the date we send the related fundamental change notice, as described below.

The repurchase price (the "fundamental change repurchase price") for a note tendered for repurchase will be the principal amount of such note plus accrued and unpaid interest on such note to, but excluding, the fundamental change repurchase date. However, if the fundamental change repurchase date is after a regular record date and on or before the next interest payment date, then (i) the holder of such note at the close of business on such regular record date will be entitled, notwithstanding such repurchase, to receive, on or, at our election, before such interest payment date, the unpaid interest that would have accrued on such note to, but excluding, such interest payment date; and (ii) the fundamental change repurchase price will not include accrued and unpaid interest on such note to, but excluding, the fundamental change repurchase date.

Notwithstanding anything to the contrary above, we may not repurchase any notes if the principal amount of the notes has been accelerated and such acceleration has not been rescinded on or before the fundamental change repurchase date (including as a result of the payment of the related fundamental change repurchase price and any related interest described above on the fundamental change repurchase date).

Notice of Fundamental Change

On or before the 20th calendar day after the occurrence of a fundamental change, we will send to each noteholder (and to any beneficial owner of a global note, if required by applicable law) notice of such fundamental change containing certain information set forth in the indenture, including the fundamental change repurchase date, the fundamental change repurchase price and the procedures noteholders must follow to tender their notes for repurchase. Substantially contemporaneously, we will issue a press release through such national newswire service as we then use (or publish the same through such other widely disseminated public medium as we then use, including our website) containing the information set forth in the fundamental change notice.

Procedures to Exercise the Fundamental Change Repurchase Right

To exercise its fundamental change repurchase right with respect to a note, the holder thereof must deliver a notice (a "fundamental change repurchase notice") to the paying agent before the close of business on the business day immediately before the related fundamental change repurchase date (or such later time as may be required by law).

The fundamental change repurchase notice must contain certain information set forth in the indenture, including the certificate number of any physical notes to be repurchased, or must otherwise comply with the depositary procedures in the case of a global note.

A noteholder that has delivered a fundamental change repurchase notice with respect to a note may withdraw that notice by delivering a withdrawal notice to the paying agent at any time before the close of business on the business day immediately before the fundamental change repurchase date. The withdrawal notice must contain certain information set forth in the indenture, including the certificate number of any physical notes with respect to which the withdrawal notice is being delivered, or must otherwise comply with the depositary procedures in the case of a global note.

Notes to be repurchased must be delivered to the paying agent (in the case of certificated notes) or the depositary procedures must be complied with (in the case of global notes) for the holder of those notes to be entitled to receive the fundamental change repurchase price.

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Compliance with Securities Laws

We will comply with all federal and state securities laws in connection with a repurchase following a fundamental change (including complying with Rules 13e-4 and 14e-1 under the Exchange Act and filing any required Schedule TO, to the extent applicable) so as to permit effecting such repurchase in the manner described above.

Repurchase at Option of Noteholders Upon Specified Dates

Each noteholder will have the right (the "optional repurchase right") to require us to repurchase such noteholder's notes (or any portion thereof in an authorized denomination) on each of November 1, 2023, November 1, 2028, November 1, 2033, November 1, 2038 and November 1, 2043 (or, if any such date is not a business day, on the next business day) (each, an "optional repurchase date," and, together, the "optional repurchase dates") for cash (the "optional repurchase price") in an amount equal to the principal amount of such notes to be repurchased plus accrued and unpaid interest on such notes to, but excluding, the applicable optional repurchase date. However, if such optional repurchase date is after a regular record date and on or before the next interest payment date, then (i) the holder of such notes at the close of business on such regular record date will be entitled, notwithstanding such repurchase, to receive, on or, at our election, before such interest payment date, the unpaid interest that would have accrued on such notes to, but excluding, such interest payment date; and (ii) the optional repurchase price will not include accrued and unpaid interest on such notes to, but excluding, such optional repurchase date. However, we will not be required to offer to repurchase any notes pursuant to the optional repurchase right, and noteholders may not exercise their optional repurchase right, if we have called all then-outstanding notes for redemption prior to the applicable optional repurchase date.

Notwithstanding anything to the contrary above, we may not repurchase any notes if the principal amount of the notes has been accelerated and such acceleration has not been rescinded on or before the optional repurchase date (including as a result of the payment of the related optional repurchase price and any related interest described above on the optional repurchase date).

Notice of Optional Repurchase

No later than 20 business days before each optional repurchase date, we will send to each noteholder notice of such optional repurchase right containing certain information set forth in the indenture, including the optional repurchase date, the optional repurchase price and the procedures noteholders must follow to tender their notes for repurchase. Substantially contemporaneously, we will issue a press release through such national newswire service as we then use (or publish the same through such other widely disseminated public medium as we then use, including our website) containing the information set forth in the notice.

Procedures to Require the Company to Repurchase Notes

To exercise its optional repurchase right with respect to a note, the holder thereof must deliver a notice (an "optional repurchase notice") to the paying agent before the close of business on the business day immediately before the applicable optional repurchase date (or such later time as may be required by law).

The optional repurchase notice must contain certain information set forth in the indenture, including the certificate number of any physical notes to be repurchased, or must otherwise comply with the depositary procedures in the case of a global note.

A noteholder that has delivered an optional repurchase notice with respect to a note may withdraw that notice by delivering a withdrawal notice to the paying agent at any time before the close of

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business on the business day immediately before the applicable optional repurchase date. The withdrawal notice must contain certain information set forth in the indenture, including the certificate number of any physical notes with respect to which the withdrawal notice is being delivered, or must otherwise comply with the depositary procedures in the case of a global note.

Notes to be repurchased must be delivered to the paying agent (in the case of certificated notes) or the depositary procedures must be complied with (in the case of global notes) for the holder of those notes to be entitled to receive the optional repurchase price.

Compliance with Securities Laws

We will comply with all federal and state securities laws in connection with an optional repurchase (including complying with Rules 13e-4 and 14e-1 under the Exchange Act and filing any required Schedule TO, to the extent applicable) so as to permit effecting such repurchase in the manner described above.

Conversion Rights

Generally

The notes (or any portion of a note in an authorized denomination) will be convertible, at the noteholders' option, into shares of our common stock (together with cash in lieu of any fractional share, if applicable), at an initial conversion rate of shares per $1,000 principal amount of notes (which represents an initial conversion price of approximately $ per share).

Noteholders may convert their notes at any time until the close of business on the "scheduled trading day" (as defined below under the caption " Definitions") immediately before the maturity date.

Treatment of Interest upon Conversion

We will not adjust the conversion rate to account for any accrued and unpaid interest on any note being converted. Instead, we will pay interest on notes surrendered for conversion in accordance with the provisions described below under the caption " Settlement upon Conversion Settlement upon Conversion Generally."

Conversion Procedures

To convert a beneficial interest in a global note, the owner of the beneficial interest must:

comply with the depositary procedures for converting the beneficial interest (at which time such conversion will become irrevocable);

if applicable, pay any interest payable on the next interest payment date, as described above under the caption " Treatment of Interest upon Conversion"; and

if applicable, pay any documentary or other taxes as described below.

To convert all or a portion of a physical note, the holder of such note must:

complete, manually sign and deliver to the conversion agent the conversion notice attached to such note or a facsimile of such conversion notice;

deliver such note to the conversion agent (at which time such conversion will become irrevocable);

furnish any endorsements and transfer documents that we or the conversion agent may require;

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if applicable, pay any interest payable on the next interest payment date, as described above under the caption " Treatment of Interest upon Conversion"; and

if applicable, pay any documentary or other taxes as described below.

Notes may be surrendered for conversion only after the "open of business" (as defined below under the caption " Definitions") and before the close of business on a day that is a business day.

We will pay any documentary, stamp or similar issue or transfer tax or duty due on the issue of any shares of our common stock upon conversion, except any tax or duty that is due because the converting noteholder requests those shares to be registered in a name other than the noteholder's name.

We refer to the first business day on which the requirements described above to convert a note are satisfied as the "conversion date."

If a noteholder has validly delivered a "fundamental change repurchase notice" (as defined above under the caption " Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change") or an "optional repurchase notice" (as defined above under the caption " Redemption and Repurchase Repurchase at Option of Noteholders Upon Specified Dates") with respect to a note, then such note may not be converted, except to the extent (i) such notice is withdrawn in accordance with the procedures described below; or (ii) we fail to pay the related fundamental change repurchase price or optional repurchase price, as applicable, for such note.

Settlement upon Conversion

Generally

Subject to the provisions described below under the caption " Settlement upon Conversion Cash Settlement Requirement," upon conversion of any note, we will deliver the following to converting holders:

for each $1,000 principal amount of such note being converted, a number of shares of our common stock equal to the conversion rate in effect on the conversion date for such conversion; and

a cash amount equal to unpaid interest that has accrued on such note to, but excluding, the date we settle such conversion (unless such conversion date is after a regular record date and before the next interest payment date, in which case (i) the holder of such note at the close of business on such regular record date will be entitled, notwithstanding such conversion, to receive, on or, at our election, before such interest payment date, the unpaid interest that would have accrued on such note to, but excluding, such interest payment date; and (ii) we will not pay any separate cash amount for interest as part of the consideration due upon such conversion);

provided, *however*, that, in lieu of delivering any fractional share of common stock otherwise due upon conversion, we will pay cash based on the "daily VWAP" (as defined below under the caption " Definitions") per share of our common stock on the conversion date for such conversion (or, if such conversion date is not a "VWAP trading day" (as defined below under the caption " Definitions"), the immediately preceding VWAP trading day).

Except as described below under the caption " Conversion Rate Adjustments," we will pay or deliver, as applicable, the consideration due upon conversion on or before the second business day immediately after the conversion date for such conversion.

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Cash Settlement Requirement

We currently have 100,000,000 authorized shares of common stock, of which 73,725,344 shares were outstanding as of October 5, 2018. After giving effect to the shares reserved for issuance pursuant to our 2012 equity incentive plan and 2014 Inducement Award Program, we would have a total of 11,740,185 authorized but unissued shares available to settle the conversion of the notes we are offering, which will be insufficient to settle the conversion of all the notes we are offering. We will agree in the indenture to use our reasonable best efforts to increase the number of authorized shares of our common stock to an amount that is sufficient to cover the settlement of the conversion of all outstanding notes (assuming, for these purposes, that the maximum number of additional shares referred to under the caption " Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change" below is added to the conversion rate). Increasing the number of authorized shares of our common stock will require the approval of our stockholders to amend the related provision of our restated certificate of incorporation. The indenture will require that we seek such approval, if not previously obtained, at each of the next three regular annual meetings of our stockholders and that we endorse such approval in the related proxy materials. We refer to the first date on which we increase the number of authorized shares of our common stock as described above, and reserve a number of shares sufficient to cover conversions as described above, as the "authorized share effective date." We will notify noteholders of the authorized share effective date promptly after it occurs.

Notwithstanding anything to the contrary, if:

the conversion date for any note occurs before the authorized share effective date; and

the conversion rate in effect on such conversion date exceeds the "authorized share capped conversion rate" (as defined below under the caption " Definitions") in effect on such conversion date,

then we will settle such conversion in the manner (and no later than the date) described above under the caption " Generally" as if the conversion rate applicable to such conversion were instead equal to such authorized share capped conversion rate. However, in addition to the consideration deliverable pursuant to the preceding sentence, we will also deliver, in settlement of such conversion, cash (the "cash settlement amount") in an amount, per $1,000 principal amount of such note to be converted, equal to the sum of the "daily cash settlement amounts" for each VWAP trading day in the "cash settlement amount observation period" (each as defined below under the caption " Definitions") for such conversion. Except as described below under the caption " Conversion Rate Adjustments," we will deliver the cash settlement amount no later than the second business day immediately after the last VWAP trading day of such cash settlement amount observation period.

We refer to a conversion that is settled in accordance with the provisions described in the preceding paragraph as a "capped conversion."

When Converting Noteholders Become Stockholders of Record

The person in whose name any share of common stock is issuable upon conversion of any note will be deemed to become the holder of record of that share as of the close of business on the conversion date for such conversion.

Conversion Rate Adjustments

Generally

The conversion rate will be adjusted, without duplication, for the events described below. However, we are not required to adjust the conversion rate for these events (other than a stock split or

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combination or a tender or exchange offer) if each noteholder participates, at the same time and on the same terms as holders of our common stock, and solely by virtue of being a holder of notes, in such transaction or event without having to convert such noteholder's notes and as if such noteholder held a number of shares of our common stock equal to the product of (i) the conversion rate in effect on the related record date, effective date or expiration date, as applicable; and (ii) the aggregate principal amount (expressed in thousands) of notes held by such noteholder on such date.

(1) *Stock Dividends, Splits and Combinations*. If we issue solely shares of our common stock as a dividend or distribution on all or substantially all shares of our common stock, or if we effect a stock split or a stock combination of our common stock (in each case excluding an issuance solely pursuant to a common stock change event, as to which the provisions described below under the caption " Effect of Common Stock Change Event" will apply), then the conversion rate will be adjusted based on the following formula:

where:

CR_0 = the conversion rate in effect immediately before the open of business on the ex-dividend date for such dividend or distribution, or immediately before the open of business on the effective date of such stock split or stock combination, as applicable;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date or the open of business on such effective date, as applicable;

OS_0 = the number of shares of our common stock outstanding immediately before the open of business on such ex-dividend date or effective date, as applicable, without giving effect to such dividend, distribution, stock split or stock combination; and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend, distribution, stock split or stock combination.

For the avoidance of doubt, an adjustment made pursuant to this clause (1) will become effective at the time set forth in the definition of CR_1 above. If any dividend, distribution, stock split or stock combination of the type described in this paragraph (1) is declared or announced, but not so paid or made, then the conversion rate will be readjusted, effective as of the date our board of directors determines not to pay such dividend or distribution or to effect such stock split or stock combination, to the conversion rate that would then be in effect had such dividend, distribution, stock split or stock combination not been declared or announced.

(2) *Rights, Options and Warrants*. If we distribute, to all or substantially all holders of our common stock, rights, options or warrants (other than rights issued or otherwise distributed pursuant to a stockholder rights plan, as to which the provisions described below in paragraph (3)(a) and under the caption " Stockholder Rights Plans" will apply) entitling such holders, for a period of not more than 45 calendar days after the record date of such distribution, to subscribe for or purchase shares of our common stock at a price per share that is less than the average of the last reported sale prices per share of our common stock for the 10 consecutive "trading days" (as defined below under the caption " Definitions") ending on, and including, the trading day immediately before

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the date such distribution is announced, then the conversion rate will be increased based on the following formula:

where:

CR_0 = the conversion rate in effect immediately before the open of business on the ex-dividend date for such distribution;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date;

OS = the number of shares of our common stock outstanding immediately before the open of business on such ex-dividend date;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = a number of shares of our common stock obtained by dividing (x) the aggregate price payable to exercise such rights, options or warrants by (y) the average of the last reported sale prices per share of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately before the date such distribution is announced.

For the avoidance of doubt, an adjustment made pursuant to this clause (2) will become effective at the time set forth in the definition of CR_1 above. To the extent that shares of our common stock are not delivered after the expiration of such rights, options or warrants (including as a result of such rights, options or warrants not being exercised), the conversion rate will be readjusted to the conversion rate that would then be in effect had the increase to the conversion rate for such distribution been made on the basis of delivery of only the number of shares of our common stock actually delivered upon exercise of such rights, option or warrants. To the extent such rights, options or warrants are not so distributed, the conversion rate will be readjusted to the conversion rate that would then be in effect had the ex-dividend date for the distribution of such rights, options or warrants not occurred.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle holders of our common stock to subscribe for or purchase shares of our common stock at a price per share that is less than the average of the last reported sale prices per share of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately before the date of the distribution of such rights, options or warrants is announced, and in determining the aggregate price payable to exercise such rights, options or warrants, there will be taken into account any consideration we receive for such rights, options or warrants and any amount payable on exercise thereof, with the value of such consideration, if not cash, to be determined by our board of directors.

(3)

Spin-Offs and Other Distributed Property.

(a)

Distributions Other than Spin-Offs. If we distribute shares of our "capital stock" (as defined below under the caption " Definitions"), evidences of our indebtedness or other assets or

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property of ours, or rights, options or warrants to acquire our capital stock or other securities, to all or substantially all holders of our common stock, excluding:

- dividends, distributions, rights, options or warrants for which an adjustment to the conversion rate is required pursuant to paragraph (1) or (2) above;
- dividends or distributions paid exclusively in cash for which an adjustment to the conversion rate is required pursuant to paragraph (4) below;
- rights issued or otherwise distributed pursuant to a stockholder rights plan, except to the extent provided below under the caption " Stockholder Rights Plans";
- spin-offs for which an adjustment to the conversion rate is required pursuant to paragraph (3)(b) below; and
- a distribution solely pursuant to a common stock change event, as to which the provisions described below under the caption " Effect of Common Stock Change Event" will apply,

then the conversion rate will be increased based on the following formula:

where:

CR_0	=	the conversion rate in effect immediately before the open of business on the ex-dividend date for such distribution;
CR_1	=	the conversion rate in effect immediately after the open of business on such ex-dividend date;
SP	=	the average of the last reported sale prices per share of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately before such ex-dividend date; and
FMV	=	the fair market value (as determined by our board of directors), as of such ex-dividend date, of the shares of capital stock, evidences of indebtedness, assets, property, rights, options or warrants distributed per share of our common stock pursuant to such distribution.

However, if *FMV* is equal to or greater than *SP*, then, in lieu of the foregoing adjustment to the conversion rate, each noteholder will receive, for each $1,000 principal amount of notes held by such noteholder on the record date for such distribution, at the same time and on the same terms as holders of our common stock, the amount and kind of shares of capital stock, evidences of indebtedness, assets, property, rights, options or warrants that such noteholder would have received if such noteholder had owned, on such record date, a number of shares of our common stock equal to the conversion rate in effect on such record date.

For the avoidance of doubt, an adjustment made pursuant to this paragraph (3)(a) will become effective at the time set forth in the definition of CR_1 above. To the extent such distribution is not so paid or made, or such rights, options or warrants are not exercised before their expiration (including as a result of being redeemed or terminated), the conversion rate will be readjusted to the conversion rate that would then be in effect had the adjustment been made on the basis of only the distribution, if any, actually made or paid or on the basis of the distribution of only such rights, options or warrants, if any, that were actually exercised, if at all.

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(b) *Spin-Offs*. If we distribute or dividend shares of capital stock of any class or series, or similar equity interest, of or relating to an "affiliate" or "subsidiary" (as those terms are defined below under the caption " Definitions") or other business unit of ours to all or substantially all holders of our common stock (other than solely pursuant to a common stock change event, as to which the provisions described below under the caption " Effect of Common Stock Change Event" will apply), and such capital stock or equity interest is listed or quoted (or will be listed or quoted upon the consummation of the transaction) on a U.S. national securities exchange (a "spin-off"), then the conversion rate will be increased based on the following formula:

where:

CR_0 = the conversion rate in effect immediately before the open of business on the ex-dividend date for such spin-off;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date;

FMV = the product of (x) the average of the last reported sale prices per share or unit of the capital stock or equity interests distributed in such spin-off over the 10 consecutive trading day period (the "spin-off valuation period") beginning on, and including, such ex-dividend date (such average to be determined as if references to our common stock in the definitions of "last reported sale price" and "trading day" were instead references to such capital stock or equity interests); and (y) the number of shares or units of such capital stock or equity interests distributed per share of our common stock in such spin-off; and

SP = the average of the last reported sale prices per share of our common stock for each trading day in the spin-off valuation period.

The adjustment to the conversion rate pursuant to this paragraph (3)(b) will be calculated as of the last trading day of the spin-off valuation period but will be given effect immediately after the open of business on the ex-dividend date for the spin-off, with retroactive effect. If a note is converted and the conversion date (or, in the case of a capped conversion, any VWAP trading day within the related cash settlement amount observation period) occurs during the spin-off valuation period, then, notwithstanding anything to the contrary, we will, if necessary, delay the settlement of such conversion (or, in the case of a capped conversion, settlement of the related cash settlement amount) until the second business day after the last day of the spin-off valuation period.

To the extent any dividend or distribution of the type described above in this paragraph (3)(b) is declared but not made or paid, the conversion rate will be readjusted to the conversion rate that would then be in effect had the adjustment been made on the basis of only the dividend or distribution, if any, actually made or paid.

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(4) *Cash Dividends or Distributions*. If any cash dividend or distribution is made to all or substantially all holders of our common stock, then the conversion rate will be increased based on the following formula:

where:

CR_0 = the conversion rate in effect immediately before the open of business on the ex-dividend date for such dividend or distribution;

CR_1 = the conversion rate in effect immediately after the open of business on such ex-dividend date;

SP = the last reported sale price per share of our common stock on the trading day immediately before such ex-dividend date; and

D = the cash amount distributed per share of our common stock in such dividend or distribution.

For the avoidance of doubt, an adjustment made pursuant to this clause (4) will become effective at the time set forth in the definition of CR_1 above. However, if D is equal to or greater than SP, then, in lieu of the foregoing adjustment to the conversion rate, each noteholder will receive, for each $1,000 principal amount of notes held by such noteholder on the record date for such dividend or distribution, at the same time and on the same terms as holders of our common stock, the amount of cash that such noteholder would have received if such noteholder had owned, on such record date, a number of shares of our common stock equal to the conversion rate in effect on such record date. To the extent such dividend or distribution is declared but not made or paid, the conversion rate will be readjusted to the conversion rate that would then be in effect had the adjustment been made on the basis of only the dividend or distribution, if any, actually made or paid.

(5) *Tender Offers or Exchange Offers*. If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for shares of our common stock, and the value (determined as of the expiration time by our board of directors) of the cash and other consideration paid per share of our common stock in such tender or exchange offer exceeds the last reported sale price per share of our common stock on the trading day immediately after the last date (the "expiration date") on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended), then the conversion rate will be increased based on the following formula:

where:

CR_0 = the conversion rate in effect immediately before the time (the "expiration time") such tender or exchange offer expires;

CR_1 = the conversion rate in effect immediately after the expiration time;

AC = the aggregate value (determined as of the expiration time by our board of directors) of all cash and other consideration paid or payable for shares of our common stock purchased in such tender or exchange offer;

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OS_0 = the number of shares of our common stock outstanding immediately before the expiration time (before giving effect to the purchase of all shares of our common stock accepted for purchase or exchange in such tender or exchange offer);

OS_1 = the number of shares of our common stock outstanding immediately after the expiration time (excluding all shares of our common stock accepted for purchase or exchange in such tender or exchange offer); and

SP = the average of the last reported sale prices per share of our common stock over the 10 consecutive trading day period (the "tender/exchange offer valuation period") beginning on, and including, the trading day immediately after the expiration date;

provided, *however*, that the conversion rate will in no event be adjusted down pursuant to the provisions described in this paragraph (5), except to the extent provided in the immediately following paragraph. The adjustment to the conversion rate pursuant to this paragraph (5) will be calculated as of the close of business on the last trading day of the tender/exchange offer valuation period but will be given effect immediately after the expiration time, with retroactive effect. If a note is converted and the conversion date (or, in the case of a capped conversion, any VWAP trading day within the related cash settlement amount observation period) occurs on the expiration date or during the tender/exchange offer valuation period, then, notwithstanding anything to the contrary, we will, if necessary, delay the settlement of such conversion (or, in the case of a capped conversion, settlement of the related cash settlement amount) until the second business day after the last day of the tender/exchange offer valuation period.

To the extent such tender or exchange offer is announced but not consummated (including as a result of being precluded from consummating such tender or exchange offer under applicable law), or any purchases or exchanges of shares of common stock in such tender or exchange offer are rescinded, the conversion rate will be readjusted to the conversion rate that would then be in effect had the adjustment been made on the basis of only the purchases or exchanges of shares of common stock, if any, actually made, and not rescinded, in such tender or exchange offer.

We will not be required to adjust the conversion rate except as described above or below under the caption " Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change." Without limiting the foregoing, we will not be required to adjust the conversion rate on account of:

except as described above, the sale of shares of our common stock for a purchase price that is less than the market price per share of our common stock or less than the conversion price;

the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any such plan;

the issuance of any shares of our common stock or options or rights to purchase shares of our common stock pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, us or any of our subsidiaries;

the issuance of any shares of our common stock pursuant to any option, warrant, right or convertible or exchangeable security of ours not described in the preceding bullet and outstanding as of the date we first issue the notes;

solely a change in the par value of our common stock; or

accrued and unpaid interest on the notes.

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Notice of Conversion Rate Adjustments

Upon the effectiveness of any adjustment to the conversion rate pursuant to the provisions described above under the caption " Conversion Rate Adjustments Generally," we will promptly send notice to the noteholders containing (i) a brief description of the transaction or other event on account of which such adjustment was made; (ii) the conversion rate in effect immediately after such adjustment; and (iii) the effective time of such adjustment.

Voluntary Conversion Rate Increases

To the extent permitted by law and applicable stock exchange rules, we, from time to time, may (but are not required to) increase the conversion rate by any amount if (i) our board of directors determines that such increase is in our best interest or that such increase is advisable to avoid or diminish any income tax imposed on holders of our common stock or rights to purchase our common stock as a result of any dividend or distribution of shares (or rights to acquire shares) of our common stock or any similar event; (ii) such increase is in effect for a period of at least 20 business days; and (iii) such increase is irrevocable during such period.

Tax Considerations

A noteholder may, in some circumstances, including a cash distribution or dividend on our common stock, be deemed to have received a distribution that is subject to U.S. federal income tax as a result of an adjustment or the non-occurrence of an adjustment to the conversion rate. Applicable withholding taxes (including backup withholding) may be withheld from interest and payments upon conversion, repurchase, redemption or maturity of the notes. In addition, if any withholding taxes (including backup withholding) are paid on behalf of a noteholder, then those withholding taxes may be set off against payments of cash or the delivery of shares of common stock in respect of the notes (or, in some circumstances, any payments on our common stock) or sales proceeds received by, or other funds or assets of, that noteholder. For a discussion of the U.S. federal income tax treatment of an adjustment to the conversion rate, see "Certain U.S. Federal Income Tax Considerations."

Special Provisions for Adjustments that Are Not Yet Effective and Where Converting Noteholders Participate in the Relevant Transaction or Event

Notwithstanding anything to the contrary, if:

a note is to be converted;

the record date, effective date or expiration time for any event that requires an adjustment to the conversion rate pursuant to the provisions described above under the caption " Conversion Rate Adjustments Generally" has occurred on or before the conversion date for such conversion, but an adjustment to the conversion rate for such event has not yet become effective as of such conversion date;

the consideration due upon such conversion includes any whole shares of our common stock; and

such shares are not entitled to participate in such event (because they were not held on the related record date or otherwise),

then, solely for purposes of such conversion, we will, without duplication, give effect to such adjustment on such conversion date (and, for the avoidance of doubt, the shares issuable upon such conversion will not be entitled to participate in such event). In such case, if the date we are otherwise required to deliver the consideration due upon such conversion is before the first date on which the amount of

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such adjustment can be determined, then we will delay the settlement of such conversion until the second business day after such first date.

Notwithstanding anything to the contrary in the indenture or the notes, if:

a conversion rate adjustment for any dividend or distribution becomes effective on any ex-dividend date pursuant to the provisions described above under the caption " Conversion Rate Adjustments Generally";

a note is to be converted;

the conversion date for such conversion occurs on or after such ex-dividend date and on or before the related record date;

the consideration due upon such conversion includes any whole shares of our common stock based on a conversion rate that is adjusted for such dividend or distribution; and

such shares would be entitled to participate in such dividend or distribution,

then (x) such conversion rate adjustment will not be given effect for such conversion; and (y) the shares of common stock issuable upon such conversion based on such unadjusted conversion rate will be entitled to participate in such dividend or distribution.

Stockholder Rights Plans

If any shares of our common stock are to be issued upon conversion of any note and, at the time of such conversion, we have in effect any stockholder rights plan, then the holder of that note will be entitled to receive, in addition to, and concurrently with the delivery of, the consideration otherwise due upon such conversion, the rights set forth in such stockholder rights plan, unless such rights have separated from our common stock at such time, in which case, and only in such case, the conversion rate will be adjusted pursuant to the provisions described above in paragraph (3)(a) under the caption " Conversion Rate Adjustments Generally" on account of such separation as if, at the time of such separation, we had made a distribution of the type referred to in such paragraph to all holders of our common stock, subject to readjustment as described above if such rights expire, terminate or are redeemed. We do not currently have a stockholder rights plan.

Issuer's Mandatory Conversion Option

If, at any time prior to the maturity date, the daily VWAP per share of our common stock equals or exceeds 130% of the "conversion price" (as defined below under the caption " Definitions") on each of at least 20 VWAP trading days, whether or not consecutive, during any 30 consecutive VWAP trading day period commencing on or after the date we first issue the notes, then we will have the right (the "issuer mandatory conversion right"), exercisable at our election, to cause all (and not less than all) notes then outstanding to be automatically converted (any such conversion, a "mandatory conversion"). To exercise the issuer mandatory conversion right, we must send notice of our election (a "mandatory conversion notice") to noteholders no later than the fifth business day after the last VWAP trading day of such 30 consecutive VWAP trading day period. The notice will contain certain information set forth in the indenture, including the conversion date for the mandatory conversion, which will be a business day of our choosing that is no more than 30, nor less than 10, business days after the date we send the notice.

Notwithstanding anything to the contrary described above, we may not exercise the issuer mandatory conversion right at any time during the period beginning on the effective date of a fundamental change or make-whole fundamental change and ending on the 35th trading day after such effective date (or, in the case of a fundamental change, ending on the related fundamental change repurchase date).

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In addition, notwithstanding anything to the contrary described above, we may not exercise our issuer mandatory conversion right unless all of the following conditions (collectively, the "equity conditions") are satisfied on each day from, and including, the date we send the mandatory conversion notice to, and including, the conversion date for the mandatory conversion (as set forth in such notice):

- either (i) all shares of our common stock issuable upon mandatory conversion will be eligible for resale, by a person that is not an affiliate of ours, without registration under any applicable federal or state securities laws; or (ii) a shelf registration statement registering the resale of the shares of our common stock issuable upon conversion of the notes is effective under the Securities Act and available for use by the persons to whom such shares are to be issued, and we expect such shelf registration statement to remain effective and so available for use from the date we send such mandatory conversion notice through the date that is 30 days following such conversion date;

- our common stock is listed on any of The New York Stock Exchange, The Nasdaq Global Market or The Nasdaq Global Select Market (or any of their respective successors) (each, an "eligible market") and has not been suspended from trading on such eligible market (other than suspensions of not more than two trading days and occurring prior to the applicable date of determination due to business announcements by us);

- the delisting or suspension of our common stock is not pending and has not been threatened in writing by the applicable eligible market, and we are not then in violation of the then effective minimum listing maintenance requirements of such eligible market;

- all shares of common stock issuable upon mandatory conversion may be issued in full without violating the listing rules of The Nasdaq Global Market or any other applicable eligible market on which our common stock is then listed or trading; and

- we have not defaulted on our obligation to convert any note before the date we send the mandatory conversion notice, and no default or event of default has occurred and is continuing.

If any of the equity conditions ceases to be satisfied at any time after we send a mandatory conversion notice, we will promptly (and no later than the scheduled conversion date for the mandatory conversion) notify noteholders of the same, specifying that the mandatory conversion ceases to apply. Except as described in the preceding sentence, our issuance of a mandatory conversion notice will be irrevocable.

Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change

Generally

If a make-whole fundamental change occurs on or before November 1, 2022 and the conversion date for the conversion of a note occurs during the related "make-whole fundamental change conversion period" (as defined below under the caption " Definitions"), then, subject to the provisions described below, the conversion rate applicable to such conversion will be increased by a number of shares (the "additional shares") set forth in the table below corresponding (after

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interpolation as described below) to the effective date and the "stock price" (as defined below under the caption " Definitions") of such make-whole fundamental change:

	Stock Price						
Effective Date	**$**	**$**	**$**	**$**	**$**	**$**	**$**
, 2018							
November 1, 2019							
November 1, 2020							
November 1, 2021							
November 1, 2022							

If such effective date or stock price is not set forth in the table above, then:

- if such stock price is between two stock prices in the table above or the effective date is between two effective dates in the table above, then the number of additional shares will be determined by a straight-line interpolation between the numbers of additional shares set forth for the higher and lower stock prices in the table and the earlier and later effective dates in the table above, as applicable, based on a 365- or 366-day year, as applicable; and

- if the stock price is greater than $ (subject to adjustment in the same manner as the stock prices set forth in the column headings of the table above are adjusted, as described below under the caption " Adjustment of Stock Prices and Number of Additional Shares"), or less than $ (subject to adjustment in the same manner), per share, then no additional shares will be added to the conversion rate.

Notwithstanding anything to the contrary, in no event will the conversion rate be increased to an amount that exceeds shares of our common stock per $1,000 principal amount of notes, which amount is subject to adjustment in the same manner as, and at the same time and for the same events for which, the conversion rate is required to be adjusted pursuant to the provisions described above under the caption " Conversion Rate Adjustments Generally."

Adjustment of Stock Prices and Number of Additional Shares

The stock prices in the first row (*i.e.*, the column headers) of the table above will be adjusted in the same manner as, and at the same time and for the same events for which, the conversion price is adjusted as a result of the operation of the provisions described above under the caption " Conversion Rate Adjustments Generally." The numbers of additional shares in the table above will be adjusted in the same manner as, and at the same time and for the same events for which, the conversion rate is adjusted pursuant to the provisions described above under the caption " Conversion Rate Adjustments Generally."

Notice of Make-Whole Fundamental Change

If a make-whole fundamental change occurs, then, promptly and in no event later than five business days after the effective date of such make-whole fundamental change, we will notify the trustee and the noteholders of the occurrence of such make-whole fundamental change and of such effective date.

Enforceability

Our obligation to increase the conversion rate as described above in connection with a make-whole fundamental change could be considered a penalty, in which case its enforceability would be subject to general principles of reasonableness and equitable remedies.

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Effect of Common Stock Change Event

Generally

If there occurs any:

- recapitalization, reclassification or change of our common stock, other than (x) changes solely resulting from a subdivision or combination of our common stock, (y) a change only in par value or from par value to no par value or no par value to par value or (z) stock splits and stock combinations that do not involve the issuance of any other series or class of securities;

- consolidation, merger, combination or binding or statutory share exchange involving us;

- sale, lease or other transfer of all or substantially all of the assets of us and our subsidiaries, taken as a whole, to any person; or

- similar event,

and, as a result of which, our common stock is converted into, or is exchanged for, or represents solely the right to receive, other securities, cash or other property, or any combination of the foregoing (such an event, a "common stock change event," and such other securities, cash or property, the "reference property," and the amount and kind of reference property that a holder of one share of our common stock would be entitled to receive on account of such common stock change event (without giving effect to any arrangement not to issue or deliver a fractional portion of any security or other property), a "reference property unit"), then, notwithstanding anything to the contrary,

- from and after the effective time of such common stock change event, (i) the consideration due upon conversion of any note will be determined in the same manner as if each reference to any number of shares of common stock in the provisions described under this " Conversion Rights" section (or in any related definitions) were instead a reference to the same number of reference property units; (ii) for purposes of the mandatory conversion provisions described above under the caption " Conversion Rights Issuer's Mandatory Conversion Option," each reference to any number of shares of our common stock in such provisions (or in any related definitions) will instead be deemed to be a reference to the same number of reference property units; and (iii) for purposes of the definition of "fundamental change" and "make-whole fundamental change," the terms "common stock" and "common equity" will be deemed to mean the common equity, if any, forming part of such reference property; and

- for these purposes, the last reported sale price of any reference property unit or portion thereof that does not consist of a class of securities will be the fair value of such reference property unit or portion thereof, as applicable, determined in good faith by us (or, in the case of cash denominated in U.S. dollars, the face amount thereof).

If the reference property consists of more than a single type of consideration to be determined based in part upon any form of stockholder election, then the composition of the reference property unit will be deemed to be the weighted average, per share of our common stock, the types and amounts of consideration actually received, per share of our common stock, by the holders of our common stock. We will notify the noteholders, the trustee and the conversion agent (if other than the trustee) of the weighted average as soon as practicable after such determination is made.

We will not become a party to any common stock change event unless its terms are consistent with the provisions described under this " Effect of Common Stock Change Event" caption.

Execution of Supplemental Indenture

At or before the effective time of the common stock change event, we and the resulting, surviving or transferee person (if not us) of such common stock change event (the "successor person") will

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execute and deliver to the trustee a supplemental indenture that (i) provides for anti-dilution and other adjustments to the conversion rate that are as nearly equivalent as possible to, and in a manner consistent with, the provisions described above; and (ii) contains such other provisions as we reasonably determine are appropriate to preserve the economic interests of the holders and to give effect to the provisions described above. If the reference property includes shares of stock or other securities or assets of a person other than the successor person, then such other person will also execute such supplemental indenture and such supplemental indenture will contain such additional provisions we reasonably determine are appropriate to preserve the economic interests of noteholders, including the right of noteholders to require us to repurchase their notes upon a fundamental change as described under " Redemption and Repurchase Repurchase at Option of Noteholders Upon a Fundamental Change" above, as our board of directors, acting in good faith and in a commercially reasonable manner, determines is necessary by reason of the foregoing. We will agree in the indenture not to become a party to any such transaction unless its terms are consistent with the foregoing.

Notice of Common Stock Change Event

We will provide notice of each common stock change event to noteholders no later than the effective date of the common stock change event.

Equitable Adjustments to Prices

Whenever the indenture requires us to calculate the average of the last reported sale prices or daily VWAPs, or any function thereof, over a period of multiple days (including to calculate the stock price or an adjustment to the conversion rate), we will make proportionate adjustments to those calculations to account for any adjustment to the conversion rate pursuant to paragraph (1) above under the caption " Conversion Rights Conversion Rate Adjustments Generally" that becomes effective, or any event requiring such an adjustment to the conversion rate where the ex-dividend date or effective date, as applicable, of such event occurs, at any time during such period.

Consolidation, Merger and Asset Sale

For purposes of the notes, the description below under this section titled " Consolidation, Merger and Asset Sale" supersedes the information in the accompanying prospectus under the captions "Description of Debt Securities Consolidation, Merger and Sale of Assets."

We will not consolidate with or merge with or into, or sell, lease or otherwise transfer, in one transaction or a series of transactions, all or substantially all of the assets of us and our subsidiaries, taken as a whole, to another person (a "business combination transaction"), unless:

the resulting, surviving or transferee person is us or, if not us, is a corporation (the "successor corporation") duly organized and existing under the laws of the United States of America, any State thereof or the District of Columbia that expressly assumes (by executing and delivering to the trustee, at or before the effective time of such business combination transaction, a supplemental indenture) all of our obligations under the indenture and the notes; and

immediately after giving effect to such business combination transaction, no default or event of default will have occurred and be continuing.

At the effective time of a business combination transaction that complies with the provisions described above, the successor corporation (if not us) will succeed to, and may exercise every right and power of, us under the indenture and the notes, and, except in the case of a lease, the predecessor company will be discharged from its obligations under the indenture and the notes.

The definition of "business combination transaction" includes a reference to "all or substantially all" of our and our subsidiaries' assets. There is no precise, established definition of the phrase "all or

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substantially all" under applicable law. Accordingly, there may be uncertainty as to whether the provisions described above would apply to a sale, lease or transfer of less than all of our and our subsidiaries' assets.

Events of Default

For purposes of the notes, the description below under this section titled " Events of Default" supersedes the information in the accompanying prospectus under the captions "Description of Debt Securities Events of Default."

Generally

An "event of default" means the occurrence of any of the following:

(1) a default in the payment when due (whether at maturity, upon redemption, repurchase upon fundamental change or optional repurchase or otherwise) of the principal of, or the redemption price, fundamental change repurchase price or optional repurchase price for, any note;

(2) a default for 30 days in the payment when due of interest on any note;

(3) our failure to deliver, when required by the indenture, a notice of optional repurchase pursuant to the provisions described above under the caption " Redemption and Repurchase Repurchase at Option of Noteholders Upon Specified Dates Notice of Optional Repurchase," a fundamental change notice or a notice of a make-whole fundamental change pursuant to the provisions described above under the caption " Conversion Rights Increase in Conversion Rate in Connection with a Make-Whole Fundamental Change Notice of Make-Whole Fundamental Change, and such failure continues for five business days;

(4) a default in our obligation to convert a note in accordance with the indenture upon the exercise of the conversion right with respect thereto;

(5) a default in our obligations described above under the caption " Consolidation, Merger and Asset Sale";

(6) a default in any of our obligations or agreements under the indenture or the notes (other than a default set forth in paragraphs (1), (2), (3), (4) or (5) above) where such default is not cured or waived within 60 days after notice to us by the trustee, or to us and the trustee by holders of at least 25% of the aggregate principal amount of notes then outstanding, which notice must specify such default, demand that it be remedied and state that such notice is a "notice of default";

(7) a default by us or any of our subsidiaries with respect to any one or more mortgages, agreements or other instruments under which there is outstanding, or by which there is secured or evidenced, any indebtedness for money borrowed of at least $5,000,000 (or its foreign currency equivalent) in the aggregate of us or any of our subsidiaries, whether such indebtedness exists as of the date we first issue the notes or is thereafter created, where such default:

constitutes a failure to pay the principal of, or premium or interest on, any of such indebtedness when due and payable at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise; or

results in such indebtedness becoming or being declared due and payable before its stated maturity;

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(8) one or more final judgments being rendered against us or any of our subsidiaries for the payment of at least $5,000,000 (or its foreign currency equivalent) in the aggregate (excluding any amounts covered by insurance), where such judgment is not discharged or stayed within 60 days after (i) the date on which the right to appeal the same has expired, if no such appeal has commenced; or (ii) the date on which all rights to appeal have been extinguished; and

(9) certain events of bankruptcy, insolvency and reorganization with respect to us or any of our "significant subsidiaries" (as defined below under the caption " Definitions").

Acceleration

If an event of default described in paragraph (9) above occurs with respect to us (and not solely with respect to a significant subsidiary of ours), then the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding will immediately become due and payable without any further action or notice by any person. If an event of default (other than an event of default described in paragraph (9) above with respect to us and not solely with respect to a significant subsidiary of ours) occurs and is continuing, then, except as described below under the caption " Special Interest as Sole Remedy for Certain Reporting Defaults," the trustee, by notice to us, or noteholders of at least 25% of the aggregate principal amount of notes then outstanding, by notice to us and the trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding to become due and payable immediately. For the avoidance of doubt, the sole remedy for any event of default pursuant to paragraph (6) above arising from our failure to comply with our obligations described below under the caption " Exchange Act Reports" (including our obligations under Section 314(a)(1) of the Trust Indenture Act)" will consist exclusively of the right to receive special interest on the notes (as described below under the caption " Special Interest as Sole Remedy for Certain Reporting Defaults").

Noteholders of a majority in aggregate principal amount of the notes then outstanding, by notice to us and the trustee, may, on behalf of all noteholders, rescind any acceleration of the notes and its consequences if (i) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and (ii) all existing events of default (except the non-payment of principal of, or interest on, the notes that has become due solely because of such acceleration) have been cured or waived. No such rescission will affect any subsequent default or impair any right consequent thereto.

If any portion of the amount payable on the notes upon acceleration is considered by a court to be unearned interest (through the allocation of the value of the instrument to the embedded warrant or otherwise), then the court could disallow recovery of any such portion.

Waiver of Past Defaults

An event of default pursuant to paragraph (1), (2), (4) or (6) above (that, in the case of paragraph (6) only, results from a default under any covenant that cannot be amended without the consent of each affected noteholder), and a default that could lead to such an event of default, can be waived only with the consent of each affected noteholder. Each other default or event of default may be waived, on behalf of all noteholders, by noteholders of a majority in aggregate principal amount of the notes then outstanding.

Notice of Defaults

If a default or event of default occurs, then we will promptly notify the trustee, setting forth what action we are taking or propose to take with respect thereto. We must also provide the trustee annually with a certificate as to whether any defaults or events of default have occurred or are continuing. If a default or event of default occurs and is continuing and is known to a responsible officer of the trustee, then the trustee must notify the noteholders of the same within 90 days after it occurs or, if it is not

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known to the trustee at such time, promptly (and in any event within 10 business days) after it becomes known to a responsible officer of the trustee. However, except in the case of a default or event of default in the payment of the principal of, or interest on, any note, the trustee may withhold such notice if and for so long as it in good faith determines that withholding such notice is in the interests of the noteholders.

Limitation on Suits; Absolute Rights of Noteholders

Except with respect to the rights referred to below, no noteholder may pursue any remedy with respect to the indenture or the notes, unless:

such noteholder has previously delivered to the trustee notice that an event of default is continuing;

noteholders of at least 25% in aggregate principal amount of the notes then outstanding have delivered a written request to the trustee to pursue such remedy;

such noteholder(s) have offered and, if requested, provided to the trustee security and indemnity satisfactory to the trustee against any loss, liability or expense to the trustee that may result from the trustee's following such request;

the trustee has not complied with such request within 60 calendar days after its receipt of such request and such offer of security or indemnity; and

during such 60 calendar day period, noteholders of a majority in aggregate principal amount of the notes then outstanding have not delivered to the trustee a direction that is inconsistent with such request.

However, notwithstanding anything to the contrary, the right of each holder of a note to receive payment or delivery, as applicable, of the principal of, or the redemption price, fundamental change repurchase price or optional repurchase price for, or any interest on, or the consideration due upon conversion of, such note on or after the respective due dates therefor, or to bring suit for the enforcement of any such payment or delivery on or after such respective due dates, will not be impaired or affected without the consent of such holder.

Noteholders of a majority in aggregate principal amount of the notes then outstanding may direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee or exercising any trust or power conferred on it. However, the trustee may refuse to follow any direction that conflicts with law, the indenture or the notes, or that, subject to the terms of the indenture, the trustee determines may be unduly prejudicial to the rights of other noteholders or may involve the trustee in liability, unless the trustee is offered security and indemnity satisfactory to the trustee against any loss, liability or expense to the trustee that may result from the trustee's following such direction.

Default Interest

Payments of any amounts due on the notes that are not made when due will accrue interest at a rate per annum equal to the stated interest on the notes.

Special Interest as Sole Remedy for Certain Reporting Defaults

Notwithstanding anything to the contrary described above, the indenture will provide that we may elect that the sole remedy for any event of default (a "reporting event of default") pursuant to paragraph (6) above arising from our failure to comply with our obligations described below under the caption " Exchange Act Reports" will, for each of the first 180 calendar days on which a reporting event of default has occurred and is continuing, consist exclusively of the accrual of special interest on

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the notes. If we have made such an election, then (i) the notes will be subject to acceleration as described above on account of the relevant reporting event of default from, and including, the 181st calendar day on which a reporting event of default has occurred and is continuing or if we fail to pay any accrued and unpaid special interest when due; and (ii) special interest will cease to accrue on any notes from, and including, such 181st calendar day.

Any special interest that accrues on a note will be payable on the same dates and in the same manner as the stated interest on such note and will accrue at a rate per annum equal to 0.25% of the principal amount thereof for the first 90 days beginning on, and including, the date on which such event of default first occurs, and, thereafter, at a rate per annum equal to 0.50% of the principal amount thereof. For the avoidance of doubt, any special interest that accrues on a note will be in addition to the stated interest that accrues on such note.

To make the election to pay special interest as described above, we must provide notice of such election to noteholders before the date on which each reporting event of default first occurs. The notice will also, among other things, briefly describe the periods during which and rate at which special interest will accrue and the circumstances under which the notes will be subject to acceleration on account of such reporting event of default.

Modification and Amendment

For purposes of the notes, the description below under this section titled " Modification and Amendment" supersedes the information in the accompanying prospectus under the captions "Description of Debt Securities Modification and Waiver."

We and the trustee may, with the consent of holders of a majority in aggregate principal amount of the notes then outstanding, amend or supplement the indenture or the notes or waive compliance with any provision of the indenture or the notes. However, without the consent of each affected noteholder, no amendment or supplement to the indenture or the notes, or waiver of any provision of the indenture or the notes, may:

reduce the principal, or extend the stated maturity, of any note;

reduce the redemption price, fundamental change repurchase price or optional repurchase price for any note or change the times at which, or the circumstances under which, the notes may or will be redeemed or repurchased by us;

reduce the rate, or extend the time for the payment, of interest on any note;

make any change that adversely affects the conversion rights of any note;

impair the absolute rights of any holder of a note to receive payment or delivery, as applicable, of the principal of, or the redemption price, fundamental change repurchase price or optional repurchase price for, or any interest on, or the consideration due upon conversion of, such note on or after the respective due dates therefor, or to bring suit for the enforcement of any such payment or delivery on or after such due dates;

change the ranking of the notes;

make any note payable in money, or at a place of payment, other than that stated in the indenture or the note;

reduce the amount of notes whose holders must consent to any amendment, supplement, waiver or other modification; or

make any direct or indirect change to any amendment, supplement, waiver or modification provision of the indenture or the notes that requires the consent of each affected noteholder.

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For the avoidance of doubt, pursuant to the first four bullet points above, no amendment or supplement to the indenture or the notes, or waiver of any provision of the indenture or the notes, may change the amount or type of consideration due on any note (whether on an interest payment date, redemption date, fundamental change repurchase date, optional repurchase date or the maturity date or upon conversion, or otherwise), or the date(s) or time(s) such consideration is payable or deliverable, as applicable, without the consent of each affected noteholder.

Notwithstanding anything to the contrary above, we and the trustee may amend or supplement the indenture or the notes without the consent of any noteholder to:

cure any ambiguity or correct any omission, defect or inconsistency in the indenture or the notes (as determined in good faith by us);

add guarantees with respect to our obligations under the indenture or the notes;

secure the notes;

add to our covenants or events of default for the benefit of noteholders or surrender any right or power conferred on us;

provide for the assumption of our obligations under the indenture and the notes pursuant to, and in compliance with, the provisions described above under the caption " Consolidation, Merger and Asset Sale";

enter into supplemental indentures pursuant to, and in accordance with, the provisions described above under the caption " Conversion Rights Effect of Common Stock Change Event" in connection with a common stock change event;

evidence or provide for the acceptance of the appointment of a successor trustee;

conform the provisions of the indenture and the notes to this "Description of Notes" section, as supplemented by the related pricing term sheet;

provide for or confirm the issuance of additional notes pursuant to the indenture;

comply with any requirement of the SEC in connection with effecting or maintaining the qualification of the indenture or any supplemental indenture under the Trust Indenture Act, as then in effect; or

make any other change to the indenture or the notes that does not, individually or in the aggregate with all other such changes, adversely affect the rights of noteholders, as such, in any material respect (as determined in good faith by us).

Exchange Act Reports

We will send to the trustee copies of all reports that we are required to file with or furnish to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act within 15 calendar days after the date that we are required to so file or furnish the same (after giving effect to all applicable grace periods under the Exchange Act). However, we need not send to the trustee any material for which we have received, or are seeking in good faith and have not been denied, confidential treatment by the SEC. Any report that we file with or furnish to the SEC through the EDGAR system (or any successor thereto) will be deemed to be sent to the trustee at the time such report is so filed or furnished via the EDGAR system (or such successor). Upon the request of any noteholder, we will provide to the noteholder a copy of any report that we have sent the trustee pursuant to the provisions described above, other than a report that is deemed to be sent to the trustee pursuant to the preceding sentence.

We will also comply with our other obligations under Section 314(a)(1) of the Trust Indenture Act.

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Discharge

For purposes of the notes, the description below under this section titled " Discharge" supersedes the information in the accompanying prospectus under the captions "Description of Debt Securities Defeasance of Debt Securities and Certain Covenants in Certain Circumstances."

Subject to the terms of the indenture, our obligations under the indenture with respect to the notes will be discharged if we deliver all outstanding notes to the trustee for cancellation, or if all outstanding notes have become due and payable (including upon conversion, if the consideration due upon such conversion has been determined) and we have irrevocably deposited with the trustee, or caused to be delivered to noteholders, sufficient cash or other consideration to satisfy all such amounts that have become due and payable.

Calculations

Except as otherwise provided in the indenture, we will be responsible for making all calculations called for under the indenture or the notes, including determinations of the last reported sale price, daily VWAP, accrued interest (including any special interest) on the notes and the conversion rate. We will make all calculations in good faith, and, absent manifest error, our calculations will be final and binding on all noteholders. We will provide a schedule of our calculations to the trustee, and the trustee will promptly forward a copy of each such schedule to any noteholder upon written request.

All calculations with respect to the conversion rate and adjustments thereto will be made to the nearest 1/10,000th of a share of common stock (with 5/100,000ths rounded upward to the nearest 1/10,000th).

Trustee

The trustee under the indenture is Wilmington Trust, National Association. The trustee assumes no responsibility for the accuracy or completeness of the information contained in this prospectus supplement or the related documents. The trustee and its affiliates may from time to time in the future provide banking and other services to us in the ordinary course of business.

Notices

We will send all notices or communications to noteholders pursuant to the indenture in writing by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery, to the noteholders' respective addresses shown on the register for the notes. However, in the case of global notes, we are permitted to send notices or communications to noteholders pursuant to the depositary procedures, and notices and communications that we send in this manner will be deemed to have been properly sent to such noteholders in writing.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator or stockholder of ours, as such, will have any liability for any obligations of ours under the indenture or the notes or for any claim based on, in respect of, or by reason of, such obligations or their creation. By accepting any note, each noteholder will be deemed to waive and release all such liability, and such waiver and release are part of the consideration for the issuance of the notes.

Governing Law; Waiver of Jury Trial

The indenture and the notes, and any claim, controversy or dispute arising under or related to the indenture or the notes, will be governed by and construed in accordance with the laws of the state of New York. The indenture will provide that we and the trustee will irrevocably waive, to the fullest

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extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the indenture, the notes or the transactions contemplated by the indenture or the notes.

Submission to Jurisdiction

Any legal suit, action or proceeding arising out of or based upon the indenture or the transactions contemplated by the indenture may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York, in each case located in the City of New York (collectively, the "specified courts"), and each party will be deemed to irrevocably submit to the non-exclusive jurisdiction of those courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail (to the extent allowed under any applicable statute or rule of court) to any party's address as provided in the indenture will be effective service of process for any such suit, action or proceeding brought in any such court. Each of us, the trustee and each noteholder (by its acceptance of any note) will be deemed to irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the specified courts and to irrevocably and unconditionally waive and agree not to plead or claim any such suit, action or other proceeding has been brought in an inconvenient forum.

Definitions

"Affiliate" has the meaning set forth in Rule 144 under the Securities Act as in effect on the date we first issue the notes.

"Aggregate share cap" means 11,740,185 shares of common stock (subject to proportionate adjustment for stock dividends, stock splits or stock combinations with respect to our common stock).

"Authorized share capped conversion rate" means a number of shares of common stock, rounded down to the nearest 1/10,000th of a share, equal to:

where:

AC = the "aggregate share cap" (as defined above in this " Definitions" section); and

N = the aggregate principal amount of notes to be issued in this offering, as set forth on the cover page of this prospectus supplement, *divided by* $1,000.

"Board of directors" means our board of directors or a committee of such board duly authorized to act on behalf of such board.

"Business day" means any day other than a Saturday, a Sunday or any day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed.

"Capital stock" of any person means any and all shares of, interests in, rights to purchase, warrants or options for, participations in, or other equivalents of, in each case however designated, the equity of such person, but excluding any debt securities convertible into such equity.

"Cash settlement amount observation period" means, with respect to any capped conversion of a note, the five consecutive VWAP trading days beginning on, and including, the second VWAP trading day immediately after the conversion date for such conversion.

"Close of business" means 5:00 p.m., New York City time.

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"Conversion consideration" means the consideration due upon conversion of any note, as provided in the indenture.

"Conversion price" means, as of any time, an amount equal to (i) $1,000 *divided by* (ii) the conversion rate in effect at such time.

"Conversion rate" initially means shares of our common stock per $1,000 principal amount of notes, which amount is subject to adjustment as described above under the caption " Conversion Rights." Whenever in this prospectus supplement we refer to the conversion rate as of a particular date without setting forth a particular time on such date, such reference will be deemed to be to the conversion rate immediately after the close of business on such date.

"Daily cash settlement amount" means, with respect to any VWAP trading day, one-fifth of the product of (i) the excess of the conversion rate on such VWAP trading day over the authorized share capped conversion rate on such VWAP trading day; and (ii) the daily VWAP per share of our common stock on such VWAP trading day.

"Daily VWAP" means, for any VWAP trading day, the per share volume-weighted average price of our common stock as displayed under the heading "Bloomberg VWAP" on Bloomberg page "VSTM <EQUITY> AQR" (or, if such page is not available, its equivalent successor page) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such VWAP trading day (or, if such volume-weighted average price is unavailable, the market value of one share of our common stock on such VWAP trading day, determined, using a volume-weighted average price method, by a nationally recognized independent investment banking firm we select, which may include the placement agent). The daily VWAP will be determined without regard to after-hours trading or any other trading outside of the regular trading session.

"Depositary procedures" means, with respect to any transfer, exchange or transaction involving a global note or any beneficial interest therein, the rules and procedures of the depositary applicable to such transfer, exchange or transaction.

"DTC" means The Depository Trust Company.

"Ex-dividend date" means, with respect to an issuance, dividend or distribution on our common stock, the first date on which shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance, dividend or distribution (including pursuant to due bills or similar arrangements required by the relevant stock exchange). For the avoidance of doubt, any alternative trading convention on the applicable exchange or market in respect of our common stock under a separate ticker symbol or CUSIP number will not be considered "regular way" for this purpose.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fundamental change" means any of the following events:

(i) a "person" or "group" (within the meaning of Section 13(d)(3) of the Exchange Act), other than us or our "wholly owned subsidiaries" (as defined below), or any employee benefit plans of ours or our wholly owned subsidiaries, has become the direct or indirect "beneficial owner" (as defined below) of shares of our common equity representing more than 50% of the voting power of all of our then-outstanding common equity;

(ii) the consummation of: (1) any sale, lease or other transfer, in one transaction or a series of transactions, of all or substantially all of the assets of us and our subsidiaries, taken as a whole, to any person, other than solely to one or more of our wholly owned subsidiaries; or (2) any transaction or series of related transactions in connection with which (whether by means of merger, consolidation, share exchange, combination, reclassification, recapitalization, acquisition,

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liquidation or otherwise) all of our common stock is exchanged for, converted into, acquired for, or constitutes solely the right to receive, other securities, cash or other property; *provided*, *however*, that any merger, consolidation, share exchange or combination of us pursuant to which the persons that directly or indirectly "beneficially owned" (as defined below) all classes of our common equity immediately before such transaction directly or indirectly "beneficially own," immediately after such transaction, more than 50% of all classes of common equity of the surviving, continuing or acquiring company or other transferee, as applicable, or the parent thereof, in substantially the same proportions vis-à-vis each other as immediately before such transaction will be deemed not to be a fundamental change pursuant to this clause (ii);

(iii) our stockholders approve any plan or proposal for our liquidation or dissolution; or

(iv) our common stock ceases to be listed on any of The New York Stock Exchange, The Nasdaq Global Market or The Nasdaq Global Select Market (or any of their respective successors);

provided, *however*, that a transaction or event described in clause (i) or (ii) above will not constitute a fundamental change if at least 90% of the consideration received or to be received by the holders of our common stock (excluding cash payments for fractional shares or pursuant to dissenters rights), in connection with such transaction or event, consists of shares of common stock listed on any of The New York Stock Exchange, The Nasdaq Global Market or The Nasdaq Global Select Market (or any of their respective successors), or that will be so listed when issued or exchanged in connection with such transaction or event, and such transaction or event constitutes a common stock change event whose reference property consists of such consideration.

For the purposes of this definition, (x) any transaction or event described in both clause (i) and in clause (ii)(1) or (2) above (without regard to the proviso in clause (ii)) will be deemed to occur solely pursuant to clause (ii) above (subject to such proviso); and (y) whether a person is a "beneficial owner" and whether shares are "beneficially owned" will be determined in accordance with Rule 13d-3 under the Exchange Act.

"Holder" and "noteholder" mean a person in whose name a note is registered in the register for the notes.

"Last reported sale price" of our common stock for any trading day means the closing sale price per share (or, if no closing sale price is reported, the average of the last bid price and the last ask price per share or, if more than one in either case, the average of the average last bid prices and the average last ask prices per share) of our common stock on such trading day as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is then listed. If our common stock is not listed on a U.S. national or regional securities exchange on such trading day, then the last reported sale price will be the last quoted bid price per share of our common stock on such trading day in the over-the-counter market as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted on such trading day, then the last reported sale price will be the average of the mid-point of the last bid price and the last ask price per share of our common stock on such trading day from each of at least three nationally recognized independent investment banking firms we select, which may include the placement agent.

"Make-whole fundamental change" means a fundamental change (determined after giving effect to the proviso immediately after clause (iv) of the definition thereof, but without regard to the proviso to clause (ii)(2) of the definition thereof) that becomes effective on or before November 1, 2022.

"Make-whole fundamental change conversion period" means, with respect to a make-whole fundamental change, the period from, and including, the effective date of such make-whole fundamental change to, and including, the 35th trading day after such effective date (or, if such

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make-whole fundamental change also constitutes a fundamental change, to, but excluding, the related fundamental change repurchase date).

"Market disruption event" means, with respect to any date, the occurrence or existence, during the one-half hour period ending at the scheduled close of trading on such date on the principal U.S. national or regional securities exchange or other market on which our common stock is listed for trading or trades, of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in our common stock or in any options, contracts or futures contracts relating to our common stock.

"Maturity date" means November 1, 2048.

"Open of business" means 9:00 a.m., New York City time.

"Person" or "person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

"Scheduled trading day" means any day that is scheduled to be a trading day on the principal U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then traded. If our common stock is not so listed or traded, then "scheduled trading day" means a business day.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Significant subsidiary" of any person means any subsidiary of that person that constitutes, or any group of subsidiaries of that person that, in the aggregate, would constitute, a "significant subsidiary" (as defined in Rule 1-02(w) of Regulation S-X under the Exchange Act) of that person.

"Stock price" has the following meaning for any make-whole fundamental change: (i) if the holders of our common stock receive only cash in consideration for their shares of common stock in such make-whole fundamental change and such make-whole fundamental change is pursuant to clause (ii) of the definition of "fundamental change," then the stock price is the amount of cash paid per share of our common stock in such make-whole fundamental change; and (ii) in all other cases, the stock price is the average of the last reported sale prices per share of common stock for the five consecutive trading days ending on, and including, the trading day immediately before the effective date of such make-whole fundamental change.

"Subsidiary" means, with respect to any person, (i) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of the capital stock entitled (without regard to the occurrence of any contingency, but after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees, as applicable, of such corporation, association or other business entity is owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of such person; and (ii) any partnership or limited liability company where (x) more than 50% of the capital accounts, distribution rights, equity and voting interests, or of the general and limited partnership interests, as applicable, of such partnership or limited liability company are owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of such person, whether in the form of membership, general, special or limited partnership or limited liability company interests or otherwise; and (y) such person or any one or more of the other subsidiaries of such person is a controlling general partner of, or otherwise controls, such partnership or limited liability company.

"Trading day" means any day on which (i) trading in our common stock generally occurs on the principal U.S. national or regional securities exchange on which our common stock is then listed or, if

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our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then traded; and (ii) there is no "market disruption event" (as defined above in this " Definitions" section). If our common stock is not so listed or traded, then "trading day" means a business day.

"VWAP trading day" means a day on which (i) there is no VWAP market disruption event; and (ii) trading in our common stock generally occurs on the principal U.S. national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our common stock is then traded. If our common stock is not so listed or traded, then "VWAP trading day" means a business day.

"VWAP market disruption event" means, with respect to any date, (i) the failure by the principal U.S. national or regional securities exchange on which our common stock is then listed, or, if our common stock is not then listed on a U.S. national or regional securities exchange, the principal other market on which our common stock is then traded, to open for trading during its regular trading session on such date; or (ii) the occurrence or existence, for more than one half hour period in the aggregate during the regular trading session, of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock, and such suspension or limitation occurs or exists at any time before 1:00 p.m., New York City time, on such date.

"Wholly owned subsidiary" of a person means any subsidiary of such person all of the outstanding capital stock or other ownership interests of which (other than directors' qualifying shares) are owned by such person or one or more wholly owned subsidiaries of such person.

Book Entry, Settlement and Clearance

Global Notes

The notes will be initially issued in the form of one or more notes registered in the name of Cede & Co., as nominee of DTC, without interest coupons (the "global notes"), and will be deposited with the trustee as custodian for DTC.

Only persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants may own beneficial interests in a global note. We expect that, under procedures established by DTC:

upon deposit of a global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants; and

ownership of beneficial interests in a global note will be shown on, and transfers of such interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Book-Entry Procedures for Global Notes

All interests in a global note will be subject to the operations and procedures of DTC. Accordingly, you must allow for sufficient time in order to comply with those operations and procedures if you wish to exercise any of your rights with respect to the notes. We provide the following summary of those operations and procedures solely for the convenience of investors. The operations and procedures of DTC are controlled by DTC and may be changed at any time. None of us, the trustee or the placement agent will be responsible for those operations or procedures.

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DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, banks and trust companies, clearing corporations and other organizations. Indirect access to DTC's book-entry system is also available to other "indirect participants," such as banks, brokers, dealers and trust companies, who directly or indirectly clear through or maintain a custodial relationship with a DTC participant. Purchasers of notes who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC or its nominee is the registered owner of a global note, DTC or that nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through whom the investor owns its interest) to exercise any rights of a noteholder under the indenture.

Payments of principal and interest on any global notes will be made by the trustee to DTC's nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to, or payments made on account of, those interests by DTC or for maintaining, supervising or reviewing any records of DTC relating to those interests. Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Certificated Notes

A global note will be exchanged, pursuant to customary procedures, for one or more physical notes only if:

DTC notifies us or the trustee that it is unwilling or unable to continue as depositary for such global note or DTC ceases to be a "clearing agency" registered under Section 17A of the

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Exchange Act and, in each case, we fail to appoint a successor depositary within 90 days of such notice or cessation; or

an event of default with respect to the notes has occurred and is continuing and a holder of a beneficial interest in such global note requests to exchange such global note or beneficial interest, as applicable, for one or more physical notes; or

we, in our sole discretion, permit the exchange of any beneficial interest in such global note for one or more physical notes at the request of the owner of such beneficial interest.

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DESCRIPTION OF OTHER INDEBTEDNESS

On March 21, 2017, we entered into a term loan facility of up to $25.0 million with Hercules Capital, Inc., or Hercules. The term loan facility is governed by a loan and security agreement, dated March 21, 2017, which was amended on January 4, 2018, March 6, 2018, and October 11, 2018 to increase the total borrowing limit under the original loan and security agreement from up to $25.0 million to up to $50.0 million, pursuant to certain conditions of funding (collectively, the Term Loan), and to permit this offering and the issuance of notes.

As of June 30, 2018, we have borrowed a total of $25.0 million in term loans. The remaining $25.0 million of borrowing capacity under the amended loan and security agreement may be drawn in minimum increments of $5.0 million subject to Hercules' sole discretion.

The Term Loan will mature on December 1, 2020. Each advance accrues interest at a floating per annum rate equal to the greater of either (a) 10.5% or (b) the lesser of (i) 12.75% and (ii) the sum of (x) 10.5% plus (y) (A) the prime rate minus (B) 4.5%. The Term Loan provides for interest-only payments until May 1, 2019. Thereafter, amortization payments will be payable monthly in 20 installments of principal and interest (subject to recalculation upon a change in prime rates).

The Term Loan is secured by a lien on substantially all of our assets, other than intellectual property, and contains customary covenants and representations, including a liquidity covenant, financial reporting covenant and limitations on dividends, indebtedness, collateral, investments, distributions, transfers, mergers or acquisitions, taxes, corporate changes, deposit accounts and subsidiaries. Upon and during the continuance of any one or more events of default, Hercules may accelerate and demand payment of all of the secured obligations under the amended loan and security agreement. Events of default include failure to make payment under the amended loan and security agreement, certain breaches or defaults of our obligations under the amended loan and security agreement, circumstances that would reasonably be expected to have a material adverse effect, materially false or misleading representations or warranties made by us, certain events of insolvency and judgments against us and certain attachments or judgements on our assets.

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DESCRIPTION OF CAPITAL STOCK

Set forth below is a summary of the material terms of our capital stock. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to our restated certificate of incorporation and our amended and restated bylaws.

Common stock

Under our certificate of incorporation, we have authority to issue up to 100,000,000 shares of common stock, par value $0.0001 per share. As of June 30, 2018, we had 73,579,699 shares of common stock outstanding.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. An election of directors by our stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote on the election. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock.

In the event of our liquidation or dissolution, the holders of common stock are entitled to receive proportionately all assets available for distribution to stockholders after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred stock

Under the terms of our certificate of incorporation, our board of directors is authorized to issue up to 5,000,000 shares of our preferred stock, par value $0.0001 per share, in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. As of June 30, 2018, we had no shares of preferred stock outstanding. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of the holders of common stock until the board of directors determines the specific rights of the holders of preferred stock. However, effects of the issuance of preferred stock include restricting dividends on common stock, diluting the voting power of common stock, impairing the liquidation rights of common stock, and making it more difficult for a third party to acquire us, which could have the effect of discouraging a third party from acquiring, or deterring a third party from paying a premium to acquire, a majority of our outstanding voting stock.

Delaware anti-takeover law and certain charter and bylaw provisions

Delaware law

We are subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly-traded Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless either the interested stockholder attained such status with the approval of our board of directors, the business combination is approved by our board of directors and stockholders in a prescribed manner or the interested stockholder acquired at least 85% of our outstanding voting stock in the transaction in which it became an interested stockholder. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested

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stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Staggered board

Our certificate of incorporation and our bylaws divide our board of directors into three classes with staggered three-year terms. In addition, our certificate of incorporation and our bylaws provide that directors may be removed only for cause and only by the affirmative vote of the holders of 75% of our shares of capital stock present in person or by proxy and entitled to vote. Under our certificate of incorporation and bylaws, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office. Furthermore, our certificate of incorporation provides that the authorized number of directors may be changed only by the resolution of our board of directors. The classification of our board of directors and the limitations on the ability of our stockholders to remove directors, change the authorized number of directors and fill vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our Company.

Stockholder action; special meeting of stockholders; advance notice for stockholder proposal and director nominations

Our certificate of incorporation and our bylaws provide that any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our certificate of incorporation and our bylaws also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by our chairman of the board, our president or chief executive officer or our board of directors. In addition, our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors, or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities. These provisions also could discourage a third party from making a tender offer for our common stock, because even if it acquired a majority of our outstanding voting stock, it would be able to take action as a stockholder, such as electing new directors or approving a merger, only at a duly called stockholders meeting and not by written consent.

Super-majority voting

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our bylaws may be amended or repealed by a majority vote of our board of directors or the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in any election of directors is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our certificate of incorporation described above.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations (including, in the case of non-U.S. holders (as defined below), estate tax considerations) to you of the purchase, ownership and disposition of the notes and ownership and disposition of shares of our common stock received upon conversion of the notes. This summary:

- is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Department regulations, all in effect as of the date hereof, any of which are subject to change (possibly with retroactive effect) or to different interpretations;

- does not discuss the tax considerations to you if you do not hold the notes and any shares of our common stock received upon conversion of the notes as capital assets within the meaning of Section 1221 of the Code (that is, for investment purposes);

- does not discuss the tax considerations to you if you do not purchase the notes in the initial offering for the original issue price (the first price at which a substantial amount of the notes is sold for money to the public, not including bond houses, brokers, or similar persons or organizations acting in the capacity of initial purchasers, placement agents, or wholesalers);

- does not discuss all of the tax considerations that may be relevant to you in light of your particular circumstances or that may be relevant to you because you are subject to special rules, such as rules applicable to banks, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, S corporations, U.S. holders (as defined below) whose "functional currency" is not the U.S. dollar, insurance companies, dealers in securities or currencies, traders in securities or foreign currencies that have elected the mark-to-market method of tax accounting, persons holding the notes or shares of our common stock as part of a hedge, straddle, "constructive sale," "conversion" or other integrated transaction, persons subject to special tax accounting rules as a result of any item of gross income with respect to the notes being taken into account in an applicable financial statement, controlled foreign corporations, passive foreign investment companies, qualified foreign pension funds, or former U.S. citizens or long-term residents subject to taxation as expatriates;

- does not discuss the effect of any state, local or foreign laws, or any U.S. federal gift tax or estate tax considerations (except to the limited extent described herein with respect to non-U.S. holders), alternative minimum tax considerations or the 3.8% Medicare tax on net investment income; and

- does not discuss tax considerations to an owner of notes or shares of our common stock held through a partnership or other pass-through entity.

As used in this section, a "U.S. holder" means a beneficial owner of a note or shares of our common stock received upon conversion of a note that is, for U.S. federal income tax purposes, a citizen or resident of the United States or any political subdivision thereof, a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (1) the trust is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) a valid election is in place to treat the trust as a U.S. person.

The term "non-U.S. holder" means a beneficial owner of a note or shares of our common stock received upon conversion of a note (other than a partnership or other pass-through entity for U.S. federal income tax purposes) that is not a U.S holder.

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If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds a note or shares of our common stock received upon conversion of a note, the tax treatment of the partnership and a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership that holds a note or shares of our common stock received upon conversion of a note, you should consult your own tax advisors.

Please consult your own tax advisor regarding the application of U.S. federal income tax laws to your particular situation and the consequences of U.S. federal estate and gift tax laws, state, local and foreign laws and tax treaties.

Tax Characterization of the Notes

We intend to treat the notes as indebtedness for U.S. federal income tax purposes. However, the treatment of certain features of the notes is not entirely clear and the Internal Revenue Service (the "IRS") may assert that due to such features, including our right, exercisable at our election, to cause all notes then outstanding to be automatically converted in certain circumstances, the notes are treated as equity in us, starting on the issue date. If such characterization were to prevail, the U.S. tax treatment of holders described below would be materially different, including that the U.S. withholding tax could apply with respect to interest paid to non-U.S. holders of the notes.

Income tax considerations for U.S. holders

This section applies to you if you are a U.S. holder.

Stated interest

In general, stated interest paid on a note will be taxable to you as ordinary income at the time it accrues or is received in accordance with your method of accounting for U.S. federal income tax purposes. If you are a cash method taxpayer, which is the case for most individuals, you must report interest on the notes in your income when you receive it. If you are an accrual method taxpayer, you must report interest on the notes in your income as it accrues.

It is expected that the notes will not be issued with OID, and the following disclosure assumes that the notes will not be issued with OID.

Under the terms of the notes, in certain circumstances we may be obligated to pay you amounts in excess of stated interest or principal, or to redeem the notes in advance of their stated maturity. See "Description Of Notes Events of Default" and "Description Of Notes Redemption and Repurchase." In addition, we have a right, exercisable at our election, to cause all notes then outstanding to be automatically converted in certain circumstances. See "Description Of Notes Conversion Rights Issuer's Mandatory Conversion Option." Although the matter is not free from doubt, we believe and intend to take the position that the payment of such additional amounts, or the redemption of the notes in advance of their stated maturity, is a "remote" or "incidental" contingency or does not otherwise change their yield, and that the right to cause all notes to be automatically converted in certain circumstances is not a contingency relevant for this purpose, and as such does not result in the notes being treated as contingent payment debt instruments under applicable Treasury Regulations. If we become obligated to pay additional amounts, we intend to take the position that payments of such additional amounts should be taxable as ordinary interest income at the time it is received or accrued in accordance with the your regular tax accounting method. Our determination will be binding on you unless you disclose your contrary position in the manner required by the applicable U.S. Treasury regulations. Our position is not, however, binding on the IRS, and if the IRS were to successfully challenge this position and the notes were treated as contingent payment debt instruments, the timing, character and amount of your income inclusions may be affected. You are urged to consult

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your own tax advisors regarding the potential application of these rules to the notes and the consequences thereof. This remainder of this discussion assumes that our position is correct.

Sale, exchange, redemption, or other taxable disposition of notes

On the sale, exchange, redemption or other taxable disposition of a note (including a repurchase at the option of a holder as described in "Description of Notes Redemption and Repurchase."):

You will have taxable gain or loss equal to the difference between the amount received by you (other than amounts representing accrued and unpaid interest, which will be taxable to you as described under " Stated interest," above) and your adjusted tax basis in the note. Your adjusted tax basis generally is the cost of the note to you (decreased by any principal payments you receive with respect to the note and increased by any amounts included in income as a result of an adjustment to the conversion rate of the notes as described below).

Your gain or loss generally will be a capital gain or loss and generally will be a long-term capital gain or loss if you have a holding period for the note that is more than one year. Long-term capital gains recognized by certain non-corporate U.S. holders (including individuals) generally are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Conversion

Upon conversion, you may receive solely common stock or a combination of cash and common stock in exchange for the note depending upon whether the conversion occurs after the authorized share effective date (as described in "Description Of Notes Settlement upon Conversion").

If you receive solely common stock (except for cash received in lieu of a fractional share of our common stock) upon conversion, you generally will not recognize any income, gain or loss except with respect to cash received in lieu of a fractional share of our common stock and any cash or stock attributable to accrued but unpaid interest (which will be treated as interest income to the extent not previously included in income).

Upon conversion, your adjusted basis in the shares of our common stock received (other than common stock received with respect to accrued but unpaid interest) will be the same as your adjusted basis in the note at the time of the conversion, reduced by any basis allocable to a fractional share. The holding period for the shares of our common stock (other than any shares attributable to accrued but unpaid interest) will generally include the holding period of the note converted (other than shares attributable to accrued but unpaid interest).

Your adjusted basis in shares of our common stock attributable to accrued but unpaid interest generally will equal their fair market value and the holding period with respect to such stock will begin on the day following the date of conversion.

Cash received in lieu of a fractional share of our common stock will be treated as if the fractional share had been issued and then redeemed for cash. Accordingly, you generally will recognize capital gain or loss equal to the difference between the cash received for the fractional share and your adjusted basis allocable to the fractional share.

If you receive a combination of cash and shares of our common stock upon conversion of a note, we intend to take the position that notes are securities for U.S. federal income tax purposes and to treat the conversion as a recapitalization for U.S. federal income tax purposes. In order for an exchange of notes for a combination of cash and shares of our common stock to qualify as a recapitalization, the notes must be treated as "securities" under the relevant provisions of the Code. The Code and Treasury Regulations do not define the term "security." Whether a debt instrument is a

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security is based on all of the facts and circumstances, but most authorities have held that the term to maturity of the debt instrument is one of the most significant factors. In this regard, debt instruments with a term of ten years or more generally have qualified as securities, whereas debt instruments with a term of less than five years generally have not qualified as securities. The convertibility of the notes into our common stock in certain circumstances supports "security treatment" because the possible equity participation in the Company signifies an investment that is affected by the performance of the business.

The tax treatment of a conversion of a note into cash and common stock is uncertain and subject to different characterizations, and U.S. holders are urged to consult their own tax advisors regarding the consequences of a conversion of the notes into a combination of cash and shares.

Assuming the transaction is treated as a recapitalization:

you will recognize capital gain in an amount equal to the lesser of (i) the excess (if any) of (A) the amount of cash (excluding any cash received attributable to accrued but unpaid interest, which will be treated as described above under " Stated interest") plus the fair market value of shares of our common stock received upon conversion (treating a fractional share of our common stock as issued and redeemed for this purpose and excluding any such common stock that is attributable to accrued but unpaid interest) over (B) your adjusted tax basis in the converted note, and (ii) the amount of cash received upon conversion (other than any cash received in lieu of a fractional share of our common stock and any cash received attributable to accrued but unpaid interest). Any such gain or loss recognized on conversion of a note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the conversion, the note has been held for more than one year. In addition, gain or loss must be recognized with respect to cash received in lieu of a fractional share equal to the difference between the cash received with respect to such fractional share and the basis in the note that is allocated to such fractional share (described below);

you will not be able to recognize any taxable loss (other than with respect to a fractional share); and

your basis in the stock received (other than common stock attributable to accrued but unpaid interest, the tax basis of which will equal it fair market value, but including the fractional share deemed to have been received) will be equal to your basis in the notes so converted (excluding the portion of the tax basis that is allocable to any fractional share) plus any gain recognized (other than with respect to a fractional share) minus any cash received (excluding cash received in lieu of a fractional share and cash attributable to accrued but unpaid interest). Your holding period in the stock received will include your holding period for the notes; however, your holding period in stock received attributable to accrued but unpaid interest will begin on the day following the date of receipt.

Alternative treatments of the conversion of the notes into cash and common stock are possible. For example, the conversion may be treated as if a portion of your notes corresponding to the portion of the total consideration represented by cash were redeemed for cash and the remaining portion of your notes were converted into stock in a tax-free transaction (except to the extent of any stock received with respect to accrued but unpaid interest). In that case, your adjusted tax basis in the note would generally be allocated pro rata among the stock received and the portion of the note that would be treated as sold for cash based on the fair market value of our stock and the cash. Your holding period in stock received in the conversion would include your holding period for the note, except that your holding period in stock received with respect to accrued but unpaid interest would commence on the day after our stock is received.

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If you receive a combination of cash and shares of our common stock, and if neither of the above treatments prevails, then the conversion could be fully taxable, in which case you would recognize gain or loss as described above in " Sale, exchange, redemption or other taxable disposition of the notes," with your amount realized equal to the cash (other than cash attributable to accrued and unpaid interest and cash received in lieu of a fractional share, which will be treated as described above) plus the fair market value of the common stock that you receive.

It is possible that other characterizations exist. You are urged to consult your tax advisor regarding the appropriate treatment of a conversion of the notes into a combination of common stock and cash.

Constructive distributions

Depending upon the particular circumstances, certain adjustments in the conversion rate of the notes that have the effect of increasing a U.S. holder's proportionate interest in our assets or earnings and profits may result in a deemed distribution for U.S. federal income tax purposes even though the U.S. holder receives no cash or property. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases a U.S. holder's proportionate interest could be treated as a deemed distribution. In this regard, adjustments to the conversion rate of the notes that are not made in connection with other shareholders of the Company receiving a distribution of money or other property generally will not give rise to a deemed distribution.

If the conversion rate is adjusted upon the occurrence of certain events (as described in "Description Of Notes Conversion of notes Conversion rate adjustments"), such adjustment also may be a deemed distribution in certain circumstances, taxable as a dividend to beneficial owners of the notes to the extent of our current and accumulated earnings and profits (and otherwise as discussed below), notwithstanding the fact that the beneficial owners do not receive a cash payment. Generally, an adjustment in the conversion rate under the indenture made pursuant to a bona fide reasonable adjustment formula in the event of stock dividends or distributions of rights to subscribe for our common stock will not be a taxable constructive distribution.

However, certain of the possible conversion rate adjustments provided in the notes (including, without limitation, upon the payments of cash distributions to holders of common stock or in connection with a make-whole fundamental change) will not qualify as being pursuant to a bona fide reasonable adjustment formula.

If there is a deemed distribution, such distribution will be taxable as a dividend to the extent of our current and accumulated earnings and profits, and thereafter as a return of capital or capital gain in accordance with the tax rules applicable to corporate distributions. To the extent taxable as a dividend, such dividend may not be eligible for the reduced rates of tax applicable to certain dividends paid to non-corporate U.S. holders or the dividends-received deduction applicable to certain dividends paid to corporate U.S. holders as further described below. Generally, a holder's adjusted tax basis in a note will be increased to the extent any such constructive distribution is treated as a dividend.

We are currently required to report the amount of any deemed distributions on our website or to the IRS and to holders of notes not exempt from reporting. The IRS has proposed regulations addressing the amount and timing of deemed distributions, obligations of withholding agents and filing and notice obligations of issuers. If adopted as proposed, the regulations would generally provide that (i) the amount of a deemed distribution is the excess of the fair market value of the right to acquire stock immediately after the conversion adjustment over the fair market value of the right to acquire stock without the adjustment, (ii) the deemed distribution occurs at the earlier of the date the adjustment occurs under the terms of the note and the date of the actual distribution of cash or property that results in the deemed distribution, and (iii) we are required to report the amount of any deemed distributions on our website or to the IRS and to all holders of notes (including holders of notes that would otherwise be exempt from reporting). The final regulations will be effective for

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deemed distributions occurring on or after the date of adoption, but holders of notes and withholding agents may rely on them prior to that date under certain circumstances.

Possible effect of a consolidation or merger

In certain situations, we may engage in certain transactions, including, without limitation, consolidations, mergers or sales of assets (as described under "Description Of Notes Consolidation, merger and sale of assets"). Depending on the circumstances, a change in the obligor of the notes as a result of such a transaction could result in a deemed taxable exchange to a U.S. holder and the modified note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss. Moreover, if the notes were to become exchangeable into stock of an entity other than the obligor, such an exchange would generally be a taxable event.

We may be required to report certain information regarding such transaction that may be relevant to U.S. holders either (1) by filing Form 8937 with the IRS and providing copies to certain of our holders or (2) by posting the form on our website.

Distributions on shares of our common stock

If, after you convert a note into shares of our common stock, we make a distribution in respect of that stock, the distribution will be treated as a dividend, generally taxable to you as ordinary income, to the extent it is paid from our current or accumulated earnings and profits. Dividends paid by us will be includible in your gross income upon receipt. The amount of dividends received with respect to our shares by certain non-corporate U.S. holders (including individuals) generally will be subject to taxation at a preferential rate under the rules relating to "qualified dividend" income, subject to the holding period and other requirements. Dividends received by an otherwise qualifying corporate U.S. holder that meets the holding period and other requirements may be eligible for the dividends-received deduction. If the distribution exceeds our current and accumulated earnings and profits, the excess will be treated first as a tax-free return of capital up to your adjusted basis in the shares of our common stock. Any remaining excess will be treated as capital gain.

As discussed above under " Constructive distributions," if an event occurs that dilutes the note holders' interest and the conversion rate of the notes is not adjusted, or certain other events described in that discussion occur, the resulting increase in the proportionate interests of our stockholders in our assets and earnings and profits could be treated as a taxable stock dividend to them.

Sale, exchange or other taxable disposition of shares of our common stock

Upon the sale, exchange or other taxable disposition of shares of our common stock received on conversion of a note:

- you will have taxable gain or loss equal to the difference between the amount received by you and your adjusted tax basis in the shares of our common stock (determined as described above under " Conversion"); and

- your gain or loss will generally be capital gain or loss and will be a long-term capital gain or loss if you have a holding period for the common stock that is more than one year. Long-term capital gains recognized by certain non-corporate U.S. holders (including individuals) are generally subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to limitation.

Information reporting and backup withholding

Information reporting requirements generally will apply with respect to payments of principal, payments of stated interest (and payments of additional interest that we may pay as described in

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" Stated interest," above) or distributions (including constructive distributions), and the proceeds of a sale of a note or of our common stock paid to you unless you are an exempt recipient and, if requested, certifies as to that status. Backup withholding generally will apply to those payments if you fail to provide your taxpayer identification number, or certification of exempt status, or if the IRS notifies the payer to start backup withholding because you have failed to report in full interest and dividend income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

Tax considerations for non-U.S. holders

This section applies to you if you are a non-U.S. holder and the interest, dividends and gain you receive in respect of a note or any common stock received upon conversion of a note is not effectively connected with your conduct of a U.S. trade or business. If the interest, dividends and gain you receive in respect of a note or any common stock received upon conversion of a note is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base), you will be subject to U.S. federal income tax on such interest, dividends and gain on a net basis generally in the same manner as described above for U.S. holders. In addition to this treatment, if you are a corporation, you could be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of your earnings and profits for the taxable year, subject to adjustments, that are effectively connected with your U.S. trade or business. If you receive such effectively connected income, you will be exempt from the withholding tax on interest and dividends discussed below, although you will be required to provide a properly executed IRS Form W-8ECI (or other applicable form) in order to obtain an exemption from withholding. These rules are complex and you should consult your tax advisors about them. This section assumes that we are at no time a "U.S. real property holding corporation." We believe that we are not a U.S. real property holding corporation and do not expect to become such a corporation, although there can be no assurance that we will not become such a corporation. If we do become a U.S. real property holding corporation, there could be adverse tax consequences to a non-U.S. holder.

Interest

Subject to the discussion above under " Tax Characterization of the Notes" (in which case payments of interest may be subject to the treatment discussed under " Dividends" below) and subject to the discussion below concerning backup withholding and FATCA (defined below), payments of interest on the notes by us or any paying agent to you will not be subject to U.S. federal withholding tax, provided that, as required pursuant to the "portfolio interest" exception:

- you do not own, actually or constructively (pursuant to the conversion feature or otherwise), 10% or more of the combined voting power of all classes of our stock entitled to vote;
- you are not a controlled foreign corporation (within the meaning of the Code) that is related, directly or indirectly, to us;
- you are not a bank receiving interest on the notes on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of your trade or business; and
- you satisfy certain certification requirements (e.g., by timely providing a properly executed IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent).

Additional exemptions to these certification requirements may apply to holders who hold notes through "qualified intermediaries" within the meaning of U.S. federal income tax laws.

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Payments of interest on the notes that do not meet the above-described requirements will be subject to a U.S. federal income tax of 30% (or such lower rate provided by an applicable income tax treaty if you establish that you qualify to receive the benefits of such treaty (e.g., by timely providing a properly executed IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent)) collected by means of withholding.

Conversion

You generally will not recognize any income, gain or loss upon the conversion of a note into shares of our common stock.

If you receive a combination of cash and shares of our common stock, all or a part of the transaction may be treated as a sale or exchange of the notes. See " Sale, exchange, redemption or other taxable disposition of the notes and sale or exchange of shares of our common stock" below.

Dividends

Subject to the discussion of backup withholding and FATCA below, dividends paid to you on shares of our common stock received on conversion of a note and any deemed distributions on the notes treated as taxable dividends as described in " Tax considerations for U.S. holders Constructive distributions" will be subject to a U.S. federal income tax of 30% (or such lower rate provided by an applicable income tax treaty if you establish that you qualify to receive the benefits of such treaty (e.g., by timely providing a properly executed IRS Form W-8BEN or W-8BEN-E to the applicable withholding agent)) collected by means of withholding. In the case of a constructive distribution, it is possible that this tax would be withheld from any amount owed to you, including, but not limited to, interest payments or payments upon conversion, repurchase or maturity of the notes, or if any withholding taxes (including backup withholding) are paid on behalf of a holder, those withholding taxes may be set off against payments of cash or common stock, if any, payable on the notes (or, in some circumstances, any payments on our common stock) or sales proceeds received by or other funds or assets of such holder.

Sale, exchange, redemption or other taxable disposition of the notes and sale or exchange of shares of our common stock

Subject to the discussion of backup withholding and FATCA below, you will not be subject to U.S. federal income tax on any gain realized on the sale, exchange or redemption of the notes or the sale or exchange of shares of our common stock unless you are an individual present in the United States for at least 183 days during the year in which you dispose of the note or shares of our common stock, and other conditions are satisfied. If you satisfy these conditions, you will be subject to a flat 30% tax (or lower applicable income tax treaty rate) on the gain recognized on the sale, exchange, redemption, conversion or other taxable disposition of a note or shares of common stock (which gain may be offset by certain U.S.-source capital losses), even though you are not considered a resident of the United States.

Any amounts (including common stock) which a non-U.S. holder receives on a sale, exchange, redemption, conversion or any other disposition of a note which are attributable to accrued but unpaid interest will be subject to U.S. federal income tax in accordance with the rules described above under "Consequences to non-U.S. holders Interest".

U.S. federal estate tax

A note held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will not be includable in the decedent's gross estate for U.S. estate tax purposes, provided that (i) such holder or beneficial owner did not at the time of

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death actually or constructively own 10% or more of the combined voting power of all of our classes of stock entitled to vote and (ii) at the time of death, payments with respect to such note would not have been effectively connected with the conduct by such holder of a trade or business in the United States.

Common stock held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will be included in the decedent's gross estate for U.S. federal estate tax purposes unless otherwise provided by an applicable estate tax treaty. Estates of non-resident non-citizens are generally allowed a statutory credit which has the effect of offsetting the U.S. federal estate tax imposed on the first $60,000 of the taxable estate.

Information reporting and backup withholding

Certain certification requirements may apply to non-U.S. holders to avoid backup withholding. We (or the applicable withholding agent) must report annually to the IRS and to each non-U.S. holder any interest or deemed dividends on a note or dividends on shares of our common stock paid during the year. Copies of these information returns may also be made available under the provisions of a treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides.

Backup withholding may also apply if we (or the applicable withholding agent) are notified by the IRS that such withholding is required or that the certification you provided is incorrect. Backup withholding is not an additional tax. You may use the withheld amounts, if any, as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

FATCA

Pursuant to Sections 1471 through 1474 of the Code, as modified by United States Treasury regulations, guidance from the IRS and intergovernmental agreements and subject to further guidance (collectively "FATCA"), United States federal withholding tax at the rate of 30% may apply to payments of interest, dividends (including deemed dividends), and, beginning on January 1, 2019, gross proceeds from the sale or other taxable disposition (including a retirement or redemption) of the notes or common stock made to non-U.S. financial institutions and certain other non-U.S. nonfinancial entities unless they satisfy certain due diligence and information reporting requirements. An intergovernmental agreement between the United States and the non-U.S. investor's jurisdiction may modify these requirements. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA and whether it may be relevant to such holder's acquisition, ownership and disposition of the notes or common stock.

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PLAN OF DISTRIBUTION

We are offering the notes and the shares of common stock issuable under the notes in a proposed takedown from our shelf registration statement pursuant to this prospectus supplement and the accompanying prospectus. Subject to the terms and conditions set forth in a placement agent agreement between us and Lazard Frères & Co., as the placement agent, Lazard Frères & Co. has agreed to act as the sole placement agent for the sale of $150,000,000 principal amount of notes. The placement agent is not purchasing or selling any notes subject to this prospectus supplement or the accompanying prospectus, nor is the placement agent required to arrange for the purchase or sale of any specific number or principal amount of notes. The placement agent has agreed to use its reasonable best efforts to solicit offers to purchase the notes subject to this prospectus supplement.

The placement agent agreement provides that the obligations of the placement agent are subject to certain conditions precedent, such as the receipt by the placement agent of officers' certificates and legal opinions and approval of certain legal matters by their counsel.

We expect to pay a cash fee of up to % of the gross proceeds paid to us for the notes that we sell in this offering, a portion of which may be paid to brokers other than the placement agent.

The notes will initially be offered at the price indicated on the cover page of this prospectus supplement. After the initial offering of the notes, the offering price and other selling terms of the notes may be changed at any time without notice.

The following table shows the per note and total fees that we will expect to pay in connection with the sale of the notes offered pursuant to this prospectus supplement assuming the purchase of all of the notes offered hereby and taking the per note amount to mean the principal amount of the notes reduced by the amount, if any, of original issue discount applicable to the notes:

Fees per Note(1)	%
Total	$

(1) Based on $1,000 principal amount of the notes minus the amount, if any, of original issue discount applicable to the notes.

Because there is no minimum offering amount required as a condition to closing in this offering, the actual total fees, if any, are not presently determinable and may be substantially less than the maximum amount set forth above.

The estimated offering expenses payable by us, in addition to the fees described above, are approximately $. After deducting fees and our estimated offering expenses, we expect the net proceeds from this offering to be approximately $, assuming the purchase of all notes offered hereby.

As set forth in the placement agent agreement, we have agreed that we will not, for a period of 90 days after the date of this prospectus supplement, without first obtaining the prior written consent of Lazard Frères & Co., offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose, except as described below, of any of our securities that are substantially similar to the notes or our common stock, including but not limited to any options or warrants to purchase shares of our common stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, our common stock or any such substantially similar securities.

Notwithstanding the above, this lock-up provision will not apply to us with respect to, among other things, (1) the issuance of the notes offered by this prospectus supplement or any shares of common stock issuable upon conversion of the notes offered by this prospectus supplement, (2) grants of awards pursuant to any of our equity compensation plans, (3) the exercise of any awards made pursuant to any

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of our equity compensation plans, (4) the filing of any registration statement on Form S-8 to register securities reserved for issuance under our equity compensation plans or (5) the issuance of Common Stock to Infinity, pursuant to the Amended and Restated License Agreement, dated November 1, 2016, between the Company and Infinity.

In addition, substantially all of our officers and directors (representing all but approximately 152,000 shares of common stock beneficially owned by all of our officers and directors) have agreed, subject to certain specified exceptions, not to directly or indirectly, for a period of 90 days after the date of the placement agent agreement: (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to, our common stock or any of our other securities that are substantially similar to our common stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock or any of our other securities that are substantially similar to our common stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of our common stock or such other securities, in cash or otherwise or (iii) publicly announce an intention to do any of the foregoing for a period of 90 days after the date of this prospectus supplement without the prior written consent of Lazard Frères & Co.

We have agreed to indemnify the placement agent against certain liabilities, including liabilities under the Securities Act of 1933, as amended. We have also agreed to contribute to payments the placement agent may be required to make in respect of such liabilities.

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this offering circular, which will be the business day following the date of pricing of the notes (this settlement cycle being referred to as "T+3"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to their date of delivery may be required, by virtue of the fact that the notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes prior to their date of delivery should consult their own advisor.

Affiliations

The placement agent or its affiliates may provide, investment banking, commercial lending and financial advisory services to us and our affiliates in the ordinary course of business in the future. The placement agent and its affiliates, as applicable, will receive customary compensation in connection with such services.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement with the SEC under the Securities Act of 1933, as amended, that registers the offer and sale of the securities offered by this prospectus supplement. The registration statement, including the exhibits attached thereto, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus supplement and the accompanying prospectus.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the internet on the SEC's website at www.sec.gov. You also may read and copy any documents that we file at the SEC at 100 F Street, N.E. in Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information, including copy charges.

Our common stock is listed/quoted on The Nasdaq Global Market under the symbol "VSTM," and our SEC filings can also be read at the offices of the Nasdaq Stock Market at One Liberty Plaza, 165 Broadway, New York, New York 10006.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are incorporating by reference in this prospectus supplement and the accompanying prospectus certain information we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We are incorporating by reference the documents listed below:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC by us on March 13, 2018;

our Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2018, filed with the SEC by us on May 3, 2018, and for the quarterly period ended June 30, 2018, filed with the SEC by us on August 8, 2018;

our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 10, 2018 (excluding those portions that are not incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2017);

our Current Reports on Form 8-K, filed with the SEC by us on January 4, 2018, May 18, 2018, May 22, 2018, June 1, 2018, June 8, 2018, June 15, 2018, June 28, 2018, August 29, 2018, September 24, 2018, September 25, 2018, and October 11, 2018; and

the description of our common stock contained in Item 1 of Form 8-A filed with the SEC on January 23, 2012 (File No. 001-35403).

All reports and other documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and prior to the termination of this offering shall be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and to be a part hereof from the dates of filing of such reports and other documents; *provided* that we are not incorporating any information furnished to the SEC, including without limitation, under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K or Form 8-K/A.

You may request a copy of these filings, at no cost, by directing written requests to:

Investor Relations
Verastem, Inc.
117 Kendrick Street, Suite 500
Needham, Massachusetts 02494
(781) 292-4200

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LEGAL MATTERS

The validity of the notes offered by this prospectus supplement will be passed upon for us by Ropes & Gray LLP, Boston, Massachusetts. Latham & Watkins LLP, San Diego, California is representing the placement agent in connection with the offering.

EXPERTS

The consolidated financial statements of Verastem, Inc. appearing in Verastem, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017 and the effectiveness of Verastem, Inc.'s internal control over financial reporting as of December 31, 2017, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon (which contain an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 1 to the consolidated financial statements), appearing elsewhere therein, and incorporated herein by reference. Such consolidated financial statements have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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PROSPECTUS

$200,000,000

Common Stock
Preferred Stock
Warrants
Debt Securities

We may offer and sell from time to time, in one or more series or issuances and on terms that we will determine at the time of the offering, any combination of the securities described in this prospectus, up to an aggregate amount of $200,000,000.

We will provide specific terms of any offering in a supplement to this prospectus. Any prospectus supplement may also add, update, or change information contained in this prospectus. You should carefully read this prospectus and the applicable prospectus supplement as well as the documents incorporated or deemed to be incorporated by reference in this prospectus before you purchase any of the securities offered hereby.

These securities may be offered and sold in the same offering or in separate offerings; to or through underwriters, dealers, and agents; or directly to purchasers. The names of any underwriters, dealers, or agents involved in the sale of our securities and their compensation will be described in the applicable prospectus supplement.

Investing in our securities involves a high degree of risk. Before making an investment decision, please read the information under the heading "Risk Factors" beginning on page 3 of this prospectus and in the documents incorporated by reference into this prospectus.

Our common stock is listed on The Nasdaq Global Market under the symbol "VSTM." On July 23, 2018, the last reported sale price of our common stock was $7.94 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated August 3, 2018

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ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a "shelf" registration process. Under this shelf registration process, we may offer to sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $200,000,000. Each time we sell securities under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and the applicable prospectus supplement, including all documents incorporated herein and therein by reference, together with additional information described under "Where You Can Find More Information" below.

This prospectus does not include all of the information that is in the registration statement. We omitted certain parts of the registration statement from this prospectus as permitted by the SEC. We refer you to the registration statement and its exhibits for additional information about us and the securities that may be sold under this prospectus.

We have not authorized any dealer, agent or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or an accompanying prospectus supplement. This prospectus and the accompanying prospectus supplement, if any, do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and the accompanying prospectus supplement, if any, is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and any accompanying prospectus supplement is delivered or securities are sold on a later date.

References in this prospectus to "Verastem," the "Company," "we," "us," "our" and similar terms refer to Verastem, Inc. and our subsidiary on a consolidated basis, as appropriate, unless we state otherwise or the context otherwise requires.

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OUR COMPANY

We are a biopharmaceutical company focused on developing and commercializing medicines to improve the survival and quality of life of cancer patients. Our most advanced product candidates, duvelisib and defactinib, utilize a multi-faceted approach designed to treat cancers originating either in the blood or major organ systems. We are currently evaluating these compounds in both preclinical and clinical studies as potential therapies for certain cancers, including leukemia, lymphoma, lung cancer, ovarian cancer, mesothelioma, and pancreatic cancer. We believe that these compounds may be beneficial as therapeutics either as single agents or when used in combination with immuno-oncology agents or other current and emerging standard of care treatments in aggressive cancers that are poorly served by currently available therapies.

Duvelisib targets the Phosphoinositide 3-kinase, or PI3K, signaling pathway, which plays a central role in cancer proliferation and survival. Duvelisib is an investigational oral therapy designed to attack both malignant B-cells and T-cells and disrupt the tumor microenvironment to help thwart their growth and proliferation through the dual inhibition of PI3K delta and gamma.

Defactinib is a targeted inhibitor of the Focal Adhesion Kinase, or FAK, signaling pathway. FAK is a non-receptor tyrosine kinase encoded by the PTK-2 gene that is involved in cellular adhesion and, in cancer, metastatic capability. Similar to duvelisib, defactinib is also orally available and designed to be a potential therapy for patients to take at home under the advice of their physician.

Cancer is a group of diseases characterized by uncontrolled growth and spread of abnormal cells. The American Cancer Society estimated that in the United States in 2018, approximately 1.7 million new cases of cancer will be diagnosed and approximately 610,000 people will die from the disease. Current treatments for cancer include surgery, radiation therapy, chemotherapy, hormonal therapy, immunotherapy, and targeted therapy. Despite years of intensive research and clinical use, current treatments often fail to cure cancer. Cancer remains one of the world's most serious health problems and is the second most common cause of death in the United States after heart disease.

With the application of new technologies and key discoveries, we believe that we are now entering an era of cancer research characterized by a more sophisticated understanding of the biology of cancer. We believe that the potential of oral, targeted therapies, along with the rapidly advancing field of immunotherapy, or using the body's immune system to fight cancer, are important new insights that present the opportunity to develop more effective cancer treatments. Our goal is to develop targeted agents that both specifically kill cancer cells and disrupt the tumor microenvironment to enhance the efficacy of cancer treatment.

We are headquartered in Needham, Massachusetts, and our principal offices are located at 117 Kendrick Street, Suite 500, Needham, Massachusetts. Our telephone number is (781) 292-4200.

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RISK FACTORS

Investing in our securities involves a high degree of risk. See "Item 1A Risk Factors" in our most recent Annual Report on Form 10-K incorporated by reference in this prospectus and in any subsequent Quarterly Report on Form 10-Q and the "Risk Factors" section in the applicable prospectus supplement for a discussion of the factors you should carefully consider before deciding to purchase our securities. Before you invest in our securities, you should carefully consider these risks as well as other information we include or incorporate by reference into this prospectus and the applicable prospectus supplement. The risks and uncertainties we have described are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business operations. The occurrence of any of these risks might cause you to lose all or part of your investment in the offered securities. The discussion of risks includes or refers to forward-looking statements; you should read the explanation of the qualifications and limitations on such forward-looking statements discussed elsewhere in this prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the other documents we have filed with the SEC that are incorporated herein by reference contain forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements related to present facts or current conditions or historical facts, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. Such statements relate to, among other things, the development and commercialization of our product candidates, including duvelisib and defactinib, and our PI3K and FAK programs generally, the timeline for clinical development, commercialization and regulatory approval of our product candidates, the expected timing for the reporting of data from on-going trials, the structure of our planned or pending clinical trials, additional planned studies, our rights to develop or commercialize our product candidates and our ability to finance contemplated development activities and fund operations for a specified period. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements we make. In particular, you should consider the numerous risks described in our Annual Report on Form 10-K for the year ended December 31, 2017 and any subsequent Quarterly Reports on Form 10-Q, each incorporated by reference in this prospectus, and in the "Risk Factors" section in the applicable prospectus supplement. See "Where You Can Find More Information."

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

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USE OF PROCEEDS

Except as otherwise provided in the applicable prospectus supplement, we intend to use the net proceeds we receive from our sale of the securities covered by this prospectus for general corporate purposes, which may include working capital, capital expenditures, research and development expenditures, clinical trial expenditures, commercial expenditures, milestone payments under in-license agreements, and possible acquisitions or in-license of additional compounds, product candidates or technology. Additional information on the use of net proceeds we receive from the sale of securities covered by this prospectus may be set forth in the prospectus supplement relating to the specific offering.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth, for each of the periods presented, our ratio of earnings to fixed charges. You should read this table in conjunction with the financial statements and notes incorporated by reference in this prospectus.

	Three Months Ended March 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Ratio of earnings to fixed charges	N/A	N/A	N/A	N/A	N/A	N/A

For purposes of calculating the ratio above, earnings consist of income before income taxes plus fixed charges. Fixed charges include interest expense, non-cash interest expense, and an estimate of the interest expense within rental expense.

We did not record earnings for the three months ended March 31, 2018 or for any of the years ended December 31, 2017, 2016, 2015, 2014 or 2013. Accordingly, our earnings were insufficient to cover fixed charges for such periods and we are unable to disclose a ratio of earnings to fixed charges for such periods. The dollar amount of the deficiency in earnings available for fixed charges for the three months ended March 31, 2018 and for the year ended December 31, 2017, the year ended December 31, 2016, the year ended December 31, 2015, the year ended December 31, 2014, and the year ended December 31, 2013 was approximately $21.1 million, $67.8 million, $36.4 million, $57.9 million, $53.4 million and $41.2 million, respectively.

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PLAN OF DISTRIBUTION

We may sell securities in any of the ways described below or in any combination:

- through one or more underwriters;
- through dealers, who may act as agents or principal (including a block trade in which a broker or dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction);
- through one or more agents;
- through registered direct offerings;
- as part of a collaboration with a third party;
- as part of an acquisition or merger with a third party;
- through at-the-market issuances;
- in privately negotiated transactions; or
- directly to purchasers or to a single purchaser.

The distribution of the securities by us may be effected from time to time in one or more transactions:

- at a fixed price, or prices, which may be changed from time to time;
- at market prices prevailing at the time of sale;
- at prices related to such prevailing market prices; or
- at negotiated prices.

Each prospectus supplement will describe the method of distribution of the securities and any applicable restrictions.

The prospectus supplement will describe the terms of the offering of the securities, including the following, as applicable:

- the terms of the securities being offered, including the public offering price of the securities and the proceeds to us;

the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them;

any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;

any options under which underwriters may purchase additional securities from us;

any discounts or concessions allowed or reallowed or paid to dealers; and

any securities exchanges on which the securities may be listed.

Only the agents or underwriters named in each prospectus supplement are agents or underwriters in connection with the securities being offered thereby.

We may authorize underwriters, dealers or other persons acting as our agents to solicit offers by certain institutions to purchase securities from us pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Each contract will be for an amount not less than, and the aggregate amount of securities sold pursuant to such contracts shall not be less nor more

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than, the respective amounts stated in each applicable prospectus supplement. Institutions with whom the contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but shall in all cases be subject to our approval. Delayed delivery contracts will be subject only to those conditions set forth in each applicable prospectus supplement, and each prospectus supplement will set forth any commissions we pay for solicitation of these contracts.

We may indemnify agents, underwriters, dealers, or other third parties who participate in the distribution of securities against certain liabilities, including liabilities under the Securities Act, and agree to contribute to payments which these agents, underwriters, dealers, or other third parties may be required to make. Agents, underwriters, dealers and such other third parties may be customers of, engage in transactions with, or perform services for us in the ordinary course of business. We may also use underwriters or such other third parties with whom we have a material relationship. We will describe the nature of any such relationship in the applicable prospectus supplement.

One or more firms, referred to as "remarketing firms," may also offer or sell the securities, if a prospectus supplement so indicates, in connection with a remarketing arrangement upon their purchase. Remarketing firms will act as principals for their own accounts or as our agents. These remarketing firms will offer or sell the securities in accordance with the terms of the securities. Each prospectus supplement will identify and describe any remarketing firm and the terms of its agreement, if any, with us and will describe the remarketing firm's compensation. Remarketing firms may be deemed to be underwriters in connection with the securities they remarket. Remarketing firms may be entitled under agreements that may be entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, and may engage in transactions with or perform services for us in the ordinary course of business.

Certain underwriters may use this prospectus and any accompanying prospectus supplement for offers and sales related to market-making transactions in the securities. These underwriters may act as principal or agent in these transactions, and the sales will be made at prices related to prevailing market prices at the time of sale. Any underwriters involved in the sale of the securities may qualify as "underwriters" within the meaning of Section 2(a)(11) of the Securities Act. In addition, the underwriters' commissions, discounts or concessions may qualify as underwriters' compensation under the Securities Act and the rules of the Financial Industry Regulatory Authority.

Our common stock is listed on The Nasdaq Global Market. Underwriters may make a market in our common stock, but will not be obligated to do so and may discontinue any market making at any time without notice. We can make no assurance as to the development, maintenance or liquidity of any trading market for the securities.

Certain persons participating in an offering may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with rules and regulations under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a short covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

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DESCRIPTION OF COMMON STOCK

The following summary of the terms of our common stock does not purport to be complete. You should refer to our certificate of incorporation and bylaws, both of which are on file with the SEC as exhibits to previous filings. The summary below is also qualified by provisions of applicable law.

General

Under our certificate of incorporation, we have authority to issue up to 100,000,000 shares of common stock, par value $0.0001 per share. As of June 30, 2018, we had 73,579,699 shares of common stock outstanding.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. An election of directors by our stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote on the election. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock.

In the event of our liquidation or dissolution, the holders of common stock are entitled to receive proportionately all assets available for distribution to stockholders after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

Delaware law

We are subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly-traded Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless either the interested stockholder attained such status with the approval of our board of directors, the business combination is approved by our board of directors and stockholders in a prescribed manner or the interested stockholder acquired at least 85% of our outstanding voting stock in the transaction in which it became an interested stockholder. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Staggered board

Our certificate of incorporation and our bylaws divide our board of directors into three classes with staggered three-year terms. In addition, our certificate of incorporation and our bylaws provide that directors may be removed only for cause and only by the affirmative vote of the holders of 75% of our shares of capital stock present in person or by proxy and entitled to vote. Under our certificate of incorporation and bylaws, any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office. Furthermore, our certificate of incorporation provides that the authorized number of directors may be changed only by the resolution of our board of directors. The classification of our board of directors and the limitations on the ability of our stockholders to remove directors, change the

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authorized number of directors and fill vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our Company.

Stockholder action; special meeting of stockholders; advance notice requirements for stockholder proposals and director nominations

Our certificate of incorporation and our bylaws provide that any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our certificate of incorporation and our bylaws also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by our chairman of the board, our president or chief executive officer or our board of directors. In addition, our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to our board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors, or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities. These provisions also could discourage a third party from making a tender offer for our common stock, because even if it acquired a majority of our outstanding voting stock, it would be able to take action as a stockholder, such as electing new directors or approving a merger, only at a duly called stockholders meeting and not by written consent.

Super-majority voting

The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our bylaws may be amended or repealed by a majority vote of our board of directors or the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in any election of directors is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our certificate of incorporation described above.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Listing

Our common stock is listed on The Nasdaq Global Market under the symbol "VSTM."

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DESCRIPTION OF PREFERRED STOCK

Under the terms of our certificate of incorporation, our board of directors is authorized to issue up to 5,000,000 shares of our preferred stock, par value $0.0001 per share, in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. As of June 30, 2018, we had no shares of preferred stock outstanding. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of the holders of common stock until the board of directors determines the specific rights of the holders of preferred stock. However, effects of the issuance of preferred stock include restricting dividends on common stock, diluting the voting power of common stock, impairing the liquidation rights of common stock, and making it more difficult for a third party to acquire us, which could have the effect of discouraging a third party from acquiring, or deterring a third party from paying a premium to acquire, a majority of our outstanding voting stock.

If we offer a specific class or series of preferred stock under this prospectus, we will describe the terms of the preferred stock in the prospectus supplement for such offering and will file a copy of the certificate establishing the terms of the preferred stock with the SEC. To the extent required, this description will include:

the title and stated value;

the number of shares offered, the liquidation preference per share and the purchase price;

the dividend rate(s), period(s) and/or payment date(s), or method(s) of calculation for such dividends;

whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;

the procedures for any auction and remarketing, if any;

the provisions for a sinking fund, if any;

the provisions for redemption, if applicable;

any listing of the preferred stock on any securities exchange or market;

whether the preferred stock will be convertible into our common stock, and, if applicable, the conversion price (or how it will be calculated) and conversion period;

whether the preferred stock will be exchangeable into debt securities, and, if applicable, the exchange price (or how it will be calculated) and exchange period;

voting rights, if any, of the preferred stock;

a discussion of any material U.S. federal income tax considerations applicable to the preferred stock;

the relative ranking and preferences of the preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company; and

any material limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of the Company.

The preferred stock offered by this prospectus, when issued, will not have, or be subject to, any preemptive or similar rights.

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DESCRIPTION OF WARRANTS

We may issue warrants to purchase shares of our common stock, preferred stock and/or debt securities in one or more series together with other securities or separately, as described in each applicable prospectus supplement. Below is a description of certain general terms and provisions of the warrants that we may offer. Particular terms of the warrants will be described in the applicable warrant agreements and the applicable prospectus supplement for the warrants.

The applicable prospectus supplement will contain, where applicable, the following terms of and other information relating to the warrants:

- the specific designation and aggregate number of, and the price at which we will issue, the warrants;
- the currency or currency units in which the offering price, if any, and the exercise price are payable;
- the designation, amount and terms of the securities purchasable upon exercise of the warrants;
- if applicable, the exercise price for shares of our common stock and the number of shares of common stock to be received upon exercise of the warrants;
- if applicable, the exercise price for shares of our preferred stock, the number of shares of preferred stock to be received upon exercise, and a description of that class or series of our preferred stock;
- if applicable, the exercise price for our debt securities, the amount of our debt securities to be received upon exercise, and a description of that series of debt securities;
- the date on which the right to exercise the warrants will begin and the date on which that right will expire or, if the warrants may not be continuously exercised throughout that period, the specific date or dates on which the warrants may be exercised;
- whether the warrants will be issued in fully registered form or bearer form, in definitive or global form or in any combination of these forms, although, in any case, the form of a warrant included in a unit will correspond to the form of the unit and of any security included in that unit;
- any applicable material U.S. federal income tax consequences;
- the identity of the warrant agent for the warrants and of any other depositaries, execution or paying agents, transfer agents, registrars or other agents;
- the proposed listing, if any, of the warrants or any securities purchasable upon exercise of the warrants on any securities exchange;
- if applicable, the date from and after which the warrants and the common stock, preferred stock and/or debt securities will be separately transferable;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

information with respect to book-entry procedures, if any;

the anti-dilution provisions of the warrants, if any;

any redemption or call provisions;

whether the warrants are to be sold separately or with other securities as parts of units; and

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

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DESCRIPTION OF DEBT SECURITIES

We will issue the debt securities offered by this prospectus and any accompanying prospectus supplement under an indenture to be entered into between us and the trustee identified in the applicable prospectus supplement. The terms of the debt securities will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the indenture. We have filed a copy of the form of indenture as an exhibit to the registration statement in which this prospectus is included. The indenture will be subject to and governed by the terms of the Trust Indenture Act of 1939.

We may offer under this prospectus debt securities that, unless otherwise specified in the applicable prospectus supplement, will represent direct, unsecured obligations of the Company and will rank equally with all of our other unsecured indebtedness.

The following statements relating to the debt securities and the indenture are summaries, qualified in their entirety by reference to the detailed provisions of the indenture.

General

We may issue the debt securities in one or more series with the same or various maturities, at par, at a premium, or at a discount. We will describe the particular terms of each series of debt securities in a prospectus supplement relating to that series, which we will file with the SEC.

The prospectus supplement will set forth, to the extent required, the following terms of the debt securities in respect of which the prospectus supplement is delivered:

- the title of the series;
- the aggregate principal amount;
- the issue price or prices, expressed as a percentage of the aggregate principal amount of the debt securities;
- any limit on the aggregate principal amount;
- the date or dates on which principal is payable;
- the interest rate or rates (which may be fixed or variable) or, if applicable, the method used to determine such rate or rates;
- the date or dates from which interest, if any, will be payable and any regular record date for the interest payable;
- the place or places where principal and, if applicable, premium and interest, are payable;
- the terms and conditions upon which we may, or the holders may require us to, redeem or repurchase the debt securities;
- the denominations in which such debt securities may be issuable, if other than denominations of $1,000 or any integral multiple of that number;

whether the debt securities are to be issuable in the form of certificated securities (as described below) or global securities (as described below);

the portion of principal amount that will be payable upon declaration of acceleration of the maturity date if other than the principal amount of the debt securities;

the currency of denomination;

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the designation of the currency, currencies or currency units in which payment of principal and, if applicable, premium and interest, will be made;

if payments of principal and, if applicable, premium or interest, on the debt securities are to be made in one or more currencies or currency units other than the currency of denomination, the manner in which the exchange rate with respect to such payments will be determined;

if amounts of principal and, if applicable, premium and interest may be determined by reference to an index based on a currency or currencies or by reference to a commodity, commodity index, stock exchange index or financial index, then the manner in which such amounts will be determined;

the provisions, if any, relating to any collateral provided for such debt securities;

any addition to or change in the covenants and/or the acceleration provisions described in this prospectus or in the indenture;

any events of default, if not otherwise described below under "Events of Default";

the terms and conditions, if any, for conversion into or exchange for shares of our common stock or preferred stock;

any depositaries, interest rate calculation agents, exchange rate calculation agents or other agents; and

the terms and conditions, if any, upon which the debt securities shall be subordinated in right of payment to other indebtedness of the Company.

We may issue discount debt securities that provide for an amount less than the stated principal amount to be due and payable upon acceleration of the maturity of such debt securities in accordance with the terms of the indenture. We may also issue debt securities in bearer form, with or without coupons. If we issue discount debt securities or debt securities in bearer form, we will describe material U.S. federal income tax considerations and other material special considerations which apply to these debt securities in the applicable prospectus supplement.

We may issue debt securities denominated in or payable in a foreign currency or currencies or a foreign currency unit or units. If we do, we will describe the restrictions, elections, and general tax considerations relating to the debt securities and the foreign currency or currencies or foreign currency unit or units in the applicable prospectus supplement.

Exchange and/or Conversion Rights

We may issue debt securities which can be exchanged for or converted into shares of our common stock or preferred stock. If we do, we will describe the terms of exchange or conversion in the prospectus supplement relating to these debt securities.

Transfer and Exchange

We may issue debt securities that will be represented by either:

"book-entry securities," which means that there will be one or more global securities registered in the name of a depositary or a nominee of a depositary; or

"certificated securities," which means that they will be represented by a certificate issued in definitive registered form.

We will specify in the prospectus supplement applicable to a particular offering whether the debt securities offered will be book-entry or certificated securities.

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Certificated Debt Securities

If you hold certificated debt securities, you may transfer or exchange such debt securities at the trustee's office or at the paying agent's office or agency in accordance with the terms of the indenture. You will not be charged a service charge for any transfer or exchange of certificated debt securities but may be required to pay an amount sufficient to cover any tax or other governmental charge payable in connection with such transfer or exchange.

You may effect the transfer of certificated debt securities and of the right to receive the principal of, premium, and/or interest, if any, on the certificated debt securities only by surrendering the certificate representing the certificated debt securities and having us or the trustee issue a new certificate to the new holder.

Global Securities

If we decide to issue debt securities in the form of one or more global securities, then we will register the global securities in the name of the depositary for the global securities or the nominee of the depositary, and the global securities will be delivered by the trustee to the depositary for credit to the accounts of the holders of beneficial interests in the debt securities.

The prospectus supplement will describe the specific terms of the depositary arrangement for debt securities of a series that are issued in global form. None of our Company, the trustee, any payment agent or the security registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global debt security or for maintaining, supervising or reviewing any records relating to these beneficial ownership interests.

No Protection in the Event of Change of Control

The indenture does not have any covenants or other provisions providing for a put or increased interest or otherwise that would afford holders of our debt securities additional protection in the event of a recapitalization transaction, a change of control of the Company, or a highly leveraged transaction. If we offer any covenants or provisions of this type with respect to any debt securities covered by this prospectus, we will describe them in the applicable prospectus supplement.

Covenants

Unless otherwise indicated in this prospectus or the applicable prospectus supplement, our debt securities will not have the benefit of any covenants that limit or restrict our business or operations, the pledging of our assets or the incurrence by us of indebtedness. We will describe in the applicable prospectus supplement any material covenants in respect of a series of debt securities.

Consolidation, Merger and Sale of Assets

We have agreed in the indenture that we will not consolidate with or merge into any other person or convey, transfer, sell or lease our properties and assets substantially as an entirety to any person, unless:

the person formed by the consolidation or into or with which we are merged or the person to which our properties and assets are conveyed, transferred, sold or leased, is a corporation or entity treated as a corporation for U.S. federal income tax purposes organized and existing under the laws of the U.S., any state or the District of Columbia or a corporation or comparable legal entity treated as a corporation for U.S. federal income tax purposes organized under the laws of a foreign jurisdiction and, if we are not the surviving person, the surviving person has expressly assumed all of our obligations, including the payment of the principal of and, premium,

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if any, and interest on the debt securities and the performance of the other covenants under the indenture; and

immediately before and immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both, would become an event of default, has occurred and is continuing under the indenture.

Events of Default

Unless otherwise specified in the applicable prospectus supplement, the following events will be events of default under the indenture with respect to debt securities of any series:

we fail to pay any principal or premium, if any, when it becomes due;

we fail to pay any interest within 30 days after it becomes due;

we fail to observe or perform any other covenant in the debt securities or the indenture for 60 days after written notice specifying the failure from the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of that series; and

certain events involving bankruptcy, insolvency or reorganization of Verastem or any of our significant subsidiaries.

The trustee may withhold notice to the holders of the debt securities of any series of any default, except in payment of principal of or premium, if any, or interest on the debt securities of a series, if the trustee considers it to be in the best interest of the holders of the debt securities of that series to do so.

If an event of default (other than an event of default resulting from certain events of bankruptcy, insolvency or reorganization) occurs, and is continuing, then the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of any series may accelerate the maturity of the debt securities. If this happens, the entire principal amount, plus the premium, if any, of all the outstanding debt securities of the affected series plus accrued interest to the date of acceleration will be immediately due and payable. At any time after the acceleration, but before a judgment or decree based on such acceleration is obtained by the trustee, the holders of a majority in aggregate principal amount of outstanding debt securities of such series may rescind and annul such acceleration if:

all events of default (other than nonpayment of accelerated principal, premium or interest) have been cured or waived;

all lawful interest on overdue interest and overdue principal has been paid; and

the rescission would not conflict with any judgment or decree.

In addition, if the acceleration occurs at any time when we have outstanding indebtedness which is senior to the debt securities, the payment of the principal amount of outstanding debt securities may be subordinated in right of payment to the prior payment of any amounts due under the senior indebtedness, in which case the holders of debt securities will be entitled to payment under the terms prescribed in the instruments evidencing the senior indebtedness and the indenture.

If an event of default resulting from certain events of bankruptcy, insolvency or reorganization occurs, the principal, premium and interest amount with respect to all of the debt securities of any series will be due and payable immediately without any declaration or other act on the part of the trustee or the holders of the debt securities of that series.

The holders of a majority in principal amount of the outstanding debt securities of a series will have the right to waive any existing default or compliance with any provision of the indenture or the

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debt securities of that series and to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, subject to certain limitations specified in the indenture.

No holder of any debt security of a series will have any right to institute any proceeding with respect to the indenture or for any remedy under the indenture, unless:

- the holder gives to the trustee written notice of a continuing event of default;
- the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the affected series make a written request and offer reasonable indemnity to the trustee to institute a proceeding as trustee;
- the trustee fails to institute a proceeding within 60 days after such request; and
- the holders of a majority in aggregate principal amount of the outstanding debt securities of the affected series do not give the trustee a direction inconsistent with such request during such 60-day period.

These limitations do not, however, apply to a suit instituted for payment on debt securities of any series on or after the due dates expressed in the debt securities.

We will periodically deliver certificates to the trustee regarding our compliance with our obligations under the indenture.

Modification and Waiver

From time to time, we and the trustee may, without the consent of holders of the debt securities of one or more series, amend the indenture or the debt securities of one or more series, or supplement the indenture, for certain specified purposes, including:

- to provide that the surviving entity following a change of control of Verastem permitted under the indenture will assume all of our obligations under the indenture and debt securities;
- to provide for certificated debt securities in addition to uncertificated debt securities;
- to comply with any requirements of the SEC under the Trust Indenture Act of 1939;
- to provide for the issuance of and establish the form and terms and conditions of debt securities of any series as permitted by the indenture;
- to cure any ambiguity, defect or inconsistency, or make any other change that does not materially and adversely affect the rights of any holder; and
- to appoint a successor trustee under the indenture with respect to one or more series.

From time to time we and the trustee may, with the consent of holders of at least a majority in principal amount of an outstanding series of debt securities, amend or supplement the indenture or the debt securities series, or waive compliance in a particular instance by us with any provision of the indenture or the debt securities. We may not, however, without the consent of each holder affected by such action, modify or supplement the indenture or the debt securities or waive compliance with any provision of the indenture or the debt securities in order to:

reduce the amount of debt securities whose holders must consent to an amendment, supplement, or waiver to the indenture or such debt security;

reduce the rate of or change the time for payment of interest or reduce the amount of or postpone the date for payment of sinking fund or analogous obligations;

reduce the principal of or change the stated maturity of the debt securities;

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make any debt security payable in money other than that stated in the debt security;

change the amount or time of any payment required or reduce the premium payable upon any redemption, or change the time before which no such redemption may be made;

waive a default in the payment of the principal of, premium, if any, or interest on the debt securities or a redemption payment;

waive a redemption payment with respect to any debt securities or change any provision with respect to redemption of debt securities; or

take any other action otherwise prohibited by the indenture to be taken without the consent of each holder affected by the action.

Defeasance of Debt Securities and Certain Covenants in Certain Circumstances

The indenture permits us, at any time, to elect to discharge our obligations with respect to one or more series of debt securities by following certain procedures described in the indenture. These procedures will allow us either:

to defease and be discharged from any and all of our obligations with respect to any debt securities except for the following obligations (which discharge is referred to as "legal defeasance"):

(1) to register the transfer or exchange of such debt securities;

(2) to replace temporary or mutilated, destroyed, lost or stolen debt securities;

(3) to compensate and indemnify the trustee; or

(4) to maintain an office or agency in respect of the debt securities and to hold monies for payment in trust; or

to be released from our obligations with respect to the debt securities under certain covenants contained in the indenture, as well as any additional covenants which may be contained in an applicable supplemental indenture (which release is referred to as "covenant defeasance").

In order to exercise either defeasance option, we must deposit with the trustee or other qualifying trustee, in trust for that purpose:

money;

U.S. Government Obligations (as described below) or Foreign Government Obligations (as described below) which through the scheduled payment of principal and interest in accordance with their terms will provide money; or

a combination of money and/or U.S. Government Obligations and/or Foreign Government Obligations sufficient in the written opinion of a nationally-recognized firm of independent accountants to provide money;

which in each case specified above, provides a sufficient amount to pay the principal of, premium, if any, and interest, if any, on the debt securities of the series, on the scheduled due dates or on a selected date of redemption in accordance with the terms of the indenture.

In addition, defeasance may be effected only if, among other things:

in the case of either legal or covenant defeasance, we deliver to the trustee an opinion of counsel, as specified in the indenture, stating that as a result of the defeasance neither the trust nor the trustee will be required to register as an investment company under the Investment Company Act of 1940;

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in the case of legal defeasance, we deliver to the trustee an opinion of counsel stating that we have received from, or there has been published by, the Internal Revenue Service a ruling to the effect that, or there has been a change in any applicable federal income tax law with the effect that (and the opinion shall confirm that), the holders of outstanding debt securities will not recognize income, gain or loss for U.S. federal income tax purposes solely as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner, including as a result of prepayment, and at the same times as would have been the case if legal defeasance had not occurred;

in the case of covenant defeasance, we deliver to the trustee an opinion of counsel to the effect that the holders of the outstanding debt securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if covenant defeasance had not occurred; and

certain other conditions described in the indenture are satisfied.

If we fail to comply with our remaining obligations under the indenture and any applicable supplemental indenture after a covenant defeasance of the indenture and any applicable supplemental indenture, and the debt securities are declared due and payable because of the occurrence of any undefeased event of default, the amount of money and/or U.S. Government Obligations and/or Foreign Government Obligations on deposit with the trustee could be insufficient to pay amounts due under the debt securities of the affected series at the time of acceleration. We will, however, remain liable in respect of these payments.

The term "U.S. Government Obligations" as used in the above discussion means securities which are direct obligations of or non-callable obligations guaranteed by the United States of America for the payment of which obligation or guarantee the full faith and credit of the United States of America is pledged.

The term "Foreign Government Obligations" as used in the above discussion means, with respect to debt securities of any series that are denominated in a currency other than U.S. dollars (1) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (2) obligations of a person controlled or supervised by or acting as an agent or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by that government, which in either case under clauses (1) or (2), are not callable or redeemable at the option of the issuer.

Regarding the Trustee

We will identify the trustee with respect to any series of debt securities in the prospectus supplement relating to the applicable debt securities. You should note that if the trustee becomes a creditor of Verastem, the indenture and the Trust Indenture Act of 1939 limit the rights of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim, as security or otherwise. The trustee and its affiliates may engage in, and will be permitted to continue to engage in, other transactions with us and our affiliates. If, however, the trustee acquires any "conflicting interest" within the meaning of the Trust Indenture Act of 1939, it must eliminate such conflict or resign.

The holders of a majority in principal amount of the then outstanding debt securities of any series may direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. If an event of default occurs and is continuing, the trustee, in the exercise of its rights and powers, must use the degree of care and skill of a prudent person in the conduct of his or her own affairs. Subject to that provision, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders of the debt securities, unless they have offered to the trustee reasonable indemnity or security.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the SEC for the securities offered by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information.

We are required to file annual and quarterly reports, current reports, proxy statements, and other information with the SEC. We make these documents publicly available, free of charge, on our website at www.verastem.com as soon as reasonably practicable after filing such documents with the SEC. The information contained on our website is not part of this prospectus. You can read our SEC filings, including the registration statement, on the SEC's website at http://www.sec.gov. You also may read and copy any document we file with the SEC at its public reference facility at:

Public Reference Room
100 F Street N.E.
Washington, DC 20549

Please call the SEC at 1-800-732-0330 for further information on the operation of the public reference facilities.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information in documents that we file later with the SEC will automatically update and supersede information in this prospectus. We incorporate by reference into this prospectus the documents listed below and any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, except for information "furnished" under Items 2.02, 7.01 or 9.01 on Form 8-K or other information "furnished" to the SEC which is not deemed filed and not incorporated in this prospectus, until the termination of the offering of securities described in the applicable prospectus supplement. We hereby incorporate by reference the following documents:

Our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 13, 2018;

The information specifically incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2017 from our definitive proxy statement on Schedule 14A, as filed with the SEC on April 10, 2018;

Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, as filed with the SEC on May 3, 2018;

Our Current Reports on Form 8-K filed with the SEC on January 4, 2018, May 18, 2018, May 22, 2018, June 1, 2018, June 8, 2018, June 15, 2018 and June 28, 2018; and

Description of our common stock, which is contained in the Registration Statement on Form 8-A, as filed with the SEC on January 23, 2012, as supplemented by the Description of Common Stock found on page 9 of this prospectus and including any amendments or reports filed for the purpose of updating such description.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Investor Relations
Verastem, Inc.
117 Kendrick Street, Suite 500
Needham, Massachusetts 02494
(781) 292-4200

Copies of these filings are also available, without charge, on the SEC's website at www.sec.gov and on our website at www.verastem.com as soon as reasonably practicable after they are filed electronically with the SEC. The information contained on our website is not a part of this prospectus.

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LEGAL MATTERS

The validity of the issuance of the securities offered pursuant to this prospectus will be passed upon for us by Ropes & Gray LLP, Boston, Massachusetts. The validity of any securities will be passed upon for any underwriters or agents by counsel that we will name in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements of Verastem, Inc. appearing in Verastem, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2017 and the effectiveness of Verastem, Inc.'s internal control over financial reporting as of December 31, 2017 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, (which contain an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 1 to the consolidated financial statements), appearing elsewhere therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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$150,000,000

% Convertible Senior Notes due 2048

PROSPECTUS SUPPLEMENT

Sole Placement Agent

Lazard Frères & Co.

October , 2018