UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2022

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: 000-30111

Lexicon Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**76-0474169**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

2445 Technology Forest Blvd.
11th Floor
The Woodlands, Texas 77381
(Address of Principal Executive Offices and Zip Code)

(281) 863-3000
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001	LXRX	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ____

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files)

Yes ☑ No ____

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

Large accelerated filer ____ Accelerated filer ____ Non-accelerated filer ☑
Smaller reporting company ☑ Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of August 3, 2022, 183,625,743 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

Lexicon Pharmaceuticals, Inc.

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Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Part II, Item 1A. - Risk Factors" and in our annual report on Form 10-K for the year ended December 31, 2021, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements may vary materially from our expectations. We are not undertaking any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets
(In thousands, except par value)

	As of June 30, 2022	As of December 31, 2021
Assets	**(unaudited)**	
Current assets:		
Cash and cash equivalents	$ 21,450	$ 64,065
Short-term investments	40,518	22,678
Accounts receivable	34	14
Prepaid expenses and other current assets	2,896	2,164
Total current assets	64,898	88,921
Property and equipment, net of accumulated depreciation and amortization of $5,070 and $4,853, respectively	1,035	1,176
Goodwill	44,543	44,543
Other assets	1,849	2,269
Total assets	$ 112,325	$ 136,909
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,347	$ 9,152
Accrued liabilities	9,515	12,972
Total current liabilities	16,862	22,124
Long-term debt, net of issuance costs	23,631	—
Other long-term liabilities	1,002	1,190
Total liabilities	41,495	23,314
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 300,000 shares authorized; 150,114 and 150,082 shares issued, respectively	150	150
Additional paid-in capital	1,608,730	1,608,749
Accumulated deficit	(1,535,839)	(1,487,776)
Accumulated other comprehensive loss	(150)	(10)
Treasury stock, at cost, 488 and 1,165 shares, respectively	(2,061)	(7,518)
Total stockholders' equity	70,830	113,595
Total liabilities and stockholders' equity	$ 112,325	$ 136,909

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

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Royalties and other revenue	35	234	72	261
Operating expenses:				
Research and development, including stock-based compensation of $1,098, $1,184, $2,130 and $2,470 respectively	13,356	10,257	28,282	22,866
Selling, general and administrative, including stock-based compensation of $1,734, $1,602, $3,474 and $3,167 respectively	10,686	7,936	19,177	16,193
Total operating expenses	24,042	18,193	47,459	39,059
Loss from operations	(24,007)	(17,959)	(47,387)	(38,798)
Interest expense	(703)	(169)	(813)	(336)
Interest and other income, net	123	61	137	109
Net loss	$ (24,587)	$ (18,067)	$ (48,063)	$ (39,025)
Net loss per common share, basic and diluted	$ (0.16)	$ (0.13)	$ (0.32)	$ (0.27)
Shares used in computing net loss per common share, basic and diluted	149,616	144,451	149,384	143,917
Other comprehensive loss:				
Unrealized (loss) gain on investments	(113)	(10)	(140)	1
Comprehensive loss	$ (24,700)	$ (18,077)	$ (48,203)	$ (39,024)

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

Lexicon Pharmaceuticals, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock	Total
	Shares	Par Value					
Balance at December 31, 2020	142,289	$ 142	$1,561,096	$ (1,400,018)	$ (6)	$ (4,843)	$ 156,371
Stock-based compensation	—	—	2,851	—	—	—	2,851
Issuance of common stock under Equity Incentive Plans	1,263	1	547	—	—	—	548
Issuance of common stock under an Open Market Sale Agreement, net of issuance fees	2,000	2	16,397	—	—	—	16,399
Repurchase of common stock	—	—	—	—	—	(2,675)	(2,675)
Net loss	—	—	—	(20,958)	—	—	(20,958)
Unrealized gain on investments	—	—	—	—	11	—	11
Balance at March 31, 2021	145,552	145	1,580,891	(1,420,976)	5	(7,518)	152,547
Stock-based compensation	—	—	2,786	—	—	—	2,786
Issuance of common stock under Equity Incentive Plans	88	1	7	—	—	—	8
Issuance fees related to Open Market Sale Agreement	—	—	(31)	—	—	—	(31)
Net loss	—	—	—	(18,067)	—	—	(18,067)
Unrealized loss on investments	—	—	—	—	(10)	—	(10)
Balance at June 30, 2021	145,640	146	1,583,653	(1,439,043)	(5)	(7,518)	137,233
Balance at December 31, 2021	150,082	150	1,608,749	(1,487,776)	(10)	(7,518)	113,595
Stock-based compensation	—	—	2,772	—	—	—	2,772
Issuance of equity classified warrants	—	—	698	—	—	—	698
Issuance of treasury stock	—	—	(6,321)	—	—	6,321	—
Repurchase of common stock	—	—	—	—	—	(864)	(864)
Net loss	—	—	—	(23,476)	—	—	(23,476)
Unrealized loss on investments	—	—	—	—	(27)	—	(27)
Balance at March 31, 2022	150,082	150	1,605,898	(1,511,252)	(37)	(2,061)	92,698
Issuance of common stock under Equity Incentive Plans	32	—	—	—	—	—	—
Stock-based compensation	—	—	2,832	—	—	—	2,832
Net loss	—	—	—	(24,587)	—	—	(24,587)
Unrealized loss on investments	—	—	—	—	(113)	—	(113)
Balance at June 30, 2022	150,114	$ 150	$1,608,730	$ (1,535,839)	$ (150)	$ (2,061)	$ 70,830

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

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (48,063)	$ (39,025)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	216	79
Stock-based compensation	5,604	5,637
Amortization of debt issuance costs	179	29
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(20)	236
(Increase) decrease in prepaid expenses and other current assets	(732)	451
Decrease in other assets	420	261
Decrease in accounts payable and other liabilities	(5,447)	(14,707)
Net cash used in operating activities	(47,843)	(47,039)
Cash flows from investing activities:		
Purchases of property and equipment	(76)	(985)
Purchases of investments	(40,171)	(24,373)
Maturities of investments	22,191	21,772
Net cash used in investing activities	(18,056)	(3,586)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of fees	—	16,924
Repurchase of common stock	(864)	(2,675)
Proceeds from debt borrowings, net of fees	24,148	—
Net cash provided by financing activities	23,284	14,249
Net decrease in cash and cash equivalents	(42,615)	(36,376)
Cash and cash equivalents at beginning of period	64,065	126,263
Cash and cash equivalents at end of period	$ 21,450	$ 89,887
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 634	$ 307
Supplemental disclosure of non-cash activities:		
Right-of-use asset	$ —	$ 1,704
Issuance of equity classified warrants	$ 698	$ —
Issuance of treasury stock	$ 6,321	$ —
Recognition of exit fee liability related to debt borrowings	$ 1,500	$ —

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

1. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements of Lexicon Pharmaceuticals, Inc. ("Lexicon" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ended December 31, 2022.

The accompanying condensed consolidated financial statements include the accounts of Lexicon and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

For further information, refer to the financial statements and footnotes thereto included in Lexicon's annual report on Form 10-K for the year ended December 31, 2021, as filed with the SEC.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Short-Term Investments: Lexicon considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2022 and December 31, 2021, short-term investments consisted of U.S. treasury bills and corporate debt securities. The Company's short-term investments are classified as available-for-sale securities and are carried at fair value, based on quoted market prices of the securities. The Company views its available-for-sale securities as available for use in current operations as they all contain maturities of less than one year. Unrealized gains and losses on such securities are reported as a separate component of stockholders' equity. Net realized gains and losses, interest and dividends are included in interest income. The cost of securities sold is based on the specific identification method.

Accrued liabilities: Accrued liabilities consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(in thousands)	
Accrued research and development services	$ 3,920	$ 3,669
Accrued compensation and benefits	4,329	5,711
Short term lease liability	789	1,089
Other	477	2,503
Total accrued liabilities	$ 9,515	$ 12,972

Leases: Lexicon determines if a contract is or contains a lease at inception or upon modification of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Lexicon does not apply this accounting to those leases with terms of twelve (12) months or less.

Operating lease right-of-use assets and associated lease liabilities are recorded in the balance sheet at the lease commencement date based on the present value of future lease payments to be made over the expected lease term. As the implicit rate is not determinable in its leases, Lexicon used a borrowing rate of 9% at the commencement date in determining the present value of future payments.

Revenue Recognition:

The Company performs the following five steps in determining the amount of revenue to recognize as its performance obligations under each of its contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation. At contract inception, the Company evaluates whether development milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal will not occur, the associated development milestone value is included in the transaction price. Development milestones that are not within the control of the Company or the licensee, including those requiring regulatory approval, are not considered probable of being achieved until those milestones are achieved. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue when (or as) the performance obligation is satisfied. At the end of each reporting period, the Company re-evaluates the probability of achievement of the development milestones and any related constraint, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect collaboration revenues in the period of adjustment.

In agreements in which a license to the Company's intellectual property is determined distinct from other performance obligations identified in the agreement, the Company recognizes revenue when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

The Company may receive payments from its licensees based on billing schedules established in each contract. Upfront payments and fees are recorded as deferred revenue upon receipt or when due, and may require deferral of revenue recognition to a future period until the Company performs its obligations under the relevant agreement. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional.

Research and Development Expenses: Research and development expenses consist of costs incurred for company-sponsored as well as collaborative research and development activities. These costs include direct and research-related overhead expenses and are expensed as incurred. Technology license fees for technologies that are utilized in research and development and have no alternative future use are expensed when incurred. Substantial portions of the Company's preclinical and clinical trials are performed by third-party laboratories, medical centers, contract research organizations and other vendors. For preclinical studies, the Company accrues expenses based upon estimated percentage of work completed and the contract milestones remaining. For clinical studies, expenses are accrued based upon the number of patients enrolled and the duration of the study. The Company monitors patient enrollment, the progress of clinical studies and related activities to the extent possible through internal reviews of data reported to the Company by the vendors and clinical site visits. The Company's estimates depend on the timeliness and accuracy of the data provided by the vendors regarding the status of each program and total program spending. The Company periodically evaluates the estimates to determine if adjustments are necessary or appropriate based on information it receives.

Stock-Based Compensation: The Company recognizes compensation expense in its condensed consolidated statements of comprehensive loss for share-based payments, including stock options and restricted stock units granted to employees, based on their fair values on the date of the grant, with the compensation expense recognized over the period in which an employee is required to provide service in exchange for the stock award. Stock-based compensation expense for awards without performance conditions is recognized on a straight-line basis. Stock-based compensation expense for awards with performance conditions is recognized over the period from the date the performance condition is determined to be probable of occurring through the time the applicable condition is met.

The fair value of stock options is estimated at the date of grant using the Black-Scholes method. The Black-Scholes option-pricing model requires the input of subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of determining the fair value of stock options, the Company segregates its options into two homogeneous groups, based on exercise and post-vesting employment termination

behaviors, resulting in a change in the assumptions used for expected option lives. Historical data is used to estimate the expected option life for each group. Expected volatility is based on the historical volatility in the Company's stock price.

The Company utilized the Black-Scholes valuation model for estimating the fair value of the stock option compensation granted, with the following weighted-average assumptions for stock options granted in the six months ended June 30, 2022 and 2021:

	Expected Volatility		Risk-free Interest Rate		Expected Term	Dividend Rate	
June 30, 2022:							
Employees	106	%	2.1	%	4	—	%
Officers and non-employee directors	91	%	1.9	%	7	—	%
June 30, 2021:							
Employees	101	%	0.6	%	4	—	%
Officers and non-employee directors	90	%	1.1	%	7	—	%

The following is a summary of stock option activity under Lexicon's stock-based compensation plans for the six months ended June 30, 2022:

	Options		Weighted Average Exercise Price
	(in thousands)		
Outstanding at December 31, 2021	8,367	$	6.80
Granted	4,257		3.06
Expired	(163)		12.50
Forfeited	(353)		9.20
Outstanding at June 30, 2022	12,108		5.34
Exercisable at June 30, 2022	5,423	$	7.35

During the six months ended June 30, 2022, Lexicon granted its employees and non-employee directors annual restricted stock units. Outstanding employee restricted stock units vest in three annual installments. Outstanding non-employee director restricted stock units vest fully on the first anniversary of the grant. The following is a summary of restricted stock units activity under Lexicon's stock-based compensation plans for the six months ended June 30, 2022:

	Shares		Weighted Average Grant Date Fair Value
	(in thousands)		
Outstanding at December 31, 2021	1,854	$	5.16
Granted	2,185		2.25
Vested	(1,012)		4.86
Forfeited	(108)		3.40
Outstanding at June 30, 2022	2,919	$	3.17

Net Loss per Common Share: Net loss per common share is computed using the weighted average number of shares of common stock outstanding. Shares associated with convertible debt, stock options and restricted stock units are not included because they are antidilutive.

2. Recent Accounting Pronouncements

In December 2019, the FASB issued Accounting Standards Update ("ASU") No. 2019-12, Income Taxes (Topic 740) Simplifying Accounting for Income Taxes, as part of its initiative to reduce complexity in the accounting standards. The guidance amended certain disclosure requirements that had become redundant, outdated or superseded. Additionally, this guidance amends accounting for the interim period effects of changes in tax laws or rates, and simplifies aspects of the accounting for franchise taxes. The guidance is effective for annual periods beginning after December 15, 2020, including interim periods therein. The adoption of ASU 2019-12 in the first quarter of 2021 did not have a material impact on the condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40), which removes the separation models for convertible debt with cash conversion or beneficial conversion features. ASU 2020-06 also requires the application of the if-converted method for calculating earnings per diluted share, as the treasury stock method will no longer be permitted for convertible instruments. The adoption of ASU 2020-06 during the first quarter of 2022 did not have a material impact on the condensed consolidated financial statements.

3. Cash and Cash Equivalents and Investments

The fair value of cash and cash equivalents and investments held at June 30, 2022 and December 31, 2021 are as follows:

	As of June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents	$ 21,450	$ —	$ —	$ 21,450
Securities maturing within one year:				
U.S. treasury securities	30,419	—	(89)	30,330
Corporate debt securities	10,249	—	(61)	10,188
Total short-term investments	$ 40,668	$ —	$ (150)	$ 40,518
Total cash and cash equivalents and investments	$ 62,118	$ —	$ (150)	$ 61,968

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Cash and cash equivalents	$ 64,066	$ —	$ (1)	$ 64,065
Securities maturing within one year:				
U.S. treasury securities	7,562	—	(1)	7,561
Corporate debt securities	15,125	—	(8)	15,117
Total short-term investments	$ 22,687	$ —	$ (9)	$ 22,678
Total cash and cash equivalents and investments	$ 86,753	$ —	$ (10)	$ 86,743

There were no realized losses during either of the six months ended June 30, 2022 and 2021, respectively. The cost of securities sold is based on the specific identification method.

4. Fair Value Measurements

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Assets and liabilities recorded at fair value in the condensed consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. The following levels are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities:

- Level 1 - quoted prices in active markets for identical investments, which include U.S. treasury securities
- Level 2 - other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.), which includes corporate debt securities
- Level 3 - significant unobservable inputs

The inputs or methodology used for valuing securities are not necessarily an indication of the credit risk associated with investing in those securities. The following table provides the fair value measurements of applicable Company assets that are measured at fair value on a recurring basis according to the fair value levels defined above as of June 30, 2022 and December 31, 2021.

	Assets and Liabilities at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash and cash equivalents	$ 21,450	$ —	$ —	$ 21,450
Short-term investments	30,330	10,188	—	40,518
Total cash and cash equivalents and investments	$ 51,780	$ 10,188	$ —	$ 61,968

	Assets and Liabilities at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Cash and cash equivalents	$ 64,065	$ —	$ —	$ 64,065
Short-term investments	7,561	15,117	—	22,678
Total cash and cash equivalents and investments	$ 71,626	$ 15,117	$ —	$ 86,743

The Company did not have any Level 3 assets or liabilities as of June 30, 2022 or December 31, 2021. Transfers between levels are recognized at the actual date of the circumstance that caused the transfer. There were no transfers between Level 1 and Level 2 during the periods presented.

Refer to Note 5, Debt Obligations, for fair value measurements of debt obligations.

5. Debt Obligations

On March 17, 2022, Lexicon and one of its subsidiaries entered into a loan and security agreement with Oxford Finance LLC (“Oxford”) that provides up to $150 million in borrowing capacity (the “Oxford Term Loans”) available in four tranches, each maturing in March 2027. Monthly interest-only payments are due during an initial 36-month period, which may be extended at Lexicon’s option to 48 months if Lexicon maintains compliance with a financial covenant relating to net sales of sotagliflozin following regulatory approval. The interest-only period will be followed by principal payments of $8.7 million, $13.0 million, and $4.8 million during the fiscal years ended December 31, 2025, December 31, 2026 and December 31, 2027, respectively.

The first $25 million tranche was funded at closing. The second $25 million tranche is available for draw at Lexicon’s option prior to August 25, 2022. The third $50 million tranche is available for draw at Lexicon’s option prior to June 30, 2023, but within 60 days of U.S. regulatory approval of sotagliflozin for heart failure. The fourth $50 million tranche is available for draw at Lexicon’s option, subject to Oxford’s consent, at any time prior to the expiration of the interest-only payment period.

The loan and security agreement provides that, upon funding of the first three tranches, Lexicon will grant Oxford a warrant to purchase shares of its common stock having a value equal to 3.50%, 1.75% and 0.875%, respectively, of each such tranche, as determined by reference to a 10-day average closing price of the shares. Each warrant will have an exercise price equal to such average closing price, be exercisable for a five-year period from the date of issuance and feature a net cashless exercise provision. Concurrent with the funding of the first tranche, Lexicon granted Oxford a warrant to purchase 420,673 shares of Lexicon's common stock at an exercise price of $2.08 per share. The warrant is exercisable through March 1, 2027 and is classified as an equity instrument. The Company allocated the proceeds from the first tranche to the warrant using the relative fair value method and used the Black-Scholes model to calculate the fair value of the warrants. The fair value of the warrant of $0.7 million was recognized as equity with a corresponding debt discount of $0.7 million.

The Oxford Term Loans bear interest at a floating rate equal to the 30-day U.S. Dollar LIBOR plus 7.90%, but not less than 8.01%, subject to additional interest if an event of default occurs and is continuing. As of June 30, 2022, the interest rate was 9.02%. If an event of default occurs and is continuing, Oxford may declare all amounts outstanding under the loan and security agreement to be immediately due and payable. Lexicon may prepay the Oxford Term Loans in whole at its option at any time. Any prepayment of the Oxford Term Loans is subject to prepayment fees for up to three years after the funding of each tranche of the loans. A final payment exit fee equal to 6% of the amount funded under the Oxford Term Loans is due upon prepayment or maturity, which final payment will be adjusted to 7% of the amount funded upon extension of the interest-only payment period. The final payment exit fee of $1.5 million was recorded as a debt discount on the closing date of the first tranche.

During March 2022, in connection with the first tranche of the loan and security agreement, the Company received cash proceeds of $24.2 million, net of debt issuance costs of $0.4 million and a facility fee of $0.5 million. The debt issuance costs and facility fee have been recorded as a debt discount on the Company's condensed consolidated balance sheet, which together with the final payment exit fee of $1.5 million and warrant fair value of $0.7 million are being amortized to interest expense throughout the life of the term loan using the effective interest rate method. As of June 30, 2022, the balance of the debt discount was $2.9 million. During the six months ended June 30, 2022, the Company recognized interest expense of $0.8 million. As of June 30, 2022, the carrying value of the Oxford Term Loans was $23.6 million. The fair value of the Oxford Term Loans approximates its carrying value and was determined using Level 2 inputs using discounted cash flow analysis, based on the Company's estimated current incremental borrowing rate.

Lexicon's obligations under the Oxford Term Loans are secured by a first lien security interest in all of the assets of the Company and its subsidiaries. The loan and security agreement contains certain customary representations and warranties, affirmative and negative covenants and events of default applicable to Lexicon and its subsidiaries. In addition to the financial covenant, additional covenants include those restricting dispositions, fundamental changes to its business, mergers or acquisitions, indebtedness, encumbrances, distributions, investments, transactions with affiliates and subordinated debt. The Company was in compliance with its debt covenants as of June 30, 2022.

Convertible Debt. In November 2014, Lexicon completed an offering of $87.5 million in aggregate principal amount of its 5.25% Convertible Senior Notes due 2021 (the "Convertible Notes"). The conversion feature did not meet the criteria for bifurcation as required by generally accepted accounting principles and the entire principal amount was recorded as long-term debt on the Company's condensed consolidated balance sheets.

In 2020, the Company entered into separate, privately negotiated exchange agreements to exchange $75.8 million aggregate principal amount of the Convertible Notes for consideration valued at 85% of the principal amount of the Convertible Notes. In 2020, the Company issued 10,368,956 shares of the Company's common stock and paid $50.0 million in cash, which included $1.3 million of accrued interest, to exchange such Convertible Notes. In December 2021, the remaining balance of $11.6 million was repaid in cash.

6. Commitments and Contingencies

Operating Lease Obligations: Lexicon's operating leases include office space in The Woodlands, Texas and Basking Ridge, New Jersey and will expire in August 2025 and December 2022, respectively. Under its lease agreements, Lexicon is obligated to pay property taxes, insurance, and maintenance costs. In July 2022, the Company entered into a lease agreement for a 22,000 square-foot office space in Bridgewater, New Jersey to which it plans to relocate the New Jersey offices. The term of the lease is expected to commence in December 2022, will extend for ten years and 11 months from such commencement date and provides for escalating yearly base rent payments starting at $820,000 and increasing to $986,000 in the final year of the lease.

As of June 30, 2022, the right-of-use assets for the office space leases had a balance of $1.8 million, which is included in other assets in the condensed consolidated balance sheet. Current and non-current liabilities relating to the leases were $0.8 million and $1.0 million, respectively, which are included in accrued liabilities and other long-term liabilities in the condensed consolidated balance sheet, respectively.

The following table reconciles the undiscounted cash flows of the operating lease liability to the recorded lease liability at June 30, 2022:

	(in thousands)
2022	$ 583
2023	531
2024	544
2025	370
2026	—
Thereafter	—
Total undiscounted operating lease liability	2,028
Less: amount of lease payments representing interest	(237)
Present value of future lease payments	1,791
Less: short-term operating lease liability	(789)
Long-term operating lease liability	$ 1,002

Legal Proceedings.

Lexicon is from time to time party to claims and legal proceedings that arise in the normal course of its business and that it believes will not have, individually or in the aggregate, a material adverse effect on its results of operations, financial condition or liquidity.

7. Collaboration and License Agreements

Lexicon has derived substantially all of its revenues from drug discovery and development alliances, target validation collaborations for the development and, in some cases, analysis of the physiological effects of genes altered in knockout mice, product sales, government grants and contracts, technology licenses, subscriptions to its databases and compound library sales, as well as from commercial sales of its XERMELO product following its commercial launch in February 2017 until its sale of XERMELO and related assets to TerSera Therapeutics, LLC in September 2020.

8. Other Capital Agreements

Common Stock: In 2020, Lexicon entered into an Open Market Sale Agreement℠ (the "Sales Agreement") with Jefferies LLC ("Jefferies") relating to the shares of its common stock. In January 2021, Lexicon sold 2,000,000 shares of its common stock at a price of $8.463 per share pursuant to the Sales Agreement, resulting in net proceeds of $16.4 million. In August and September 2021, Lexicon sold an aggregate of 4,176,953 shares of its common stock at a price of $4.732 per share pursuant to the Sales Agreement, resulting in net proceeds of $19.1 million. The net proceeds are reflected as issuances of common stock in the accompanying condensed consolidated financial statements.

9. Subsequent Events

Common Stock: In August 2022, Lexicon sold an aggregate of 34,000,000 shares of its common stock at a price of $2.50 per share in a public offering and concurrent private placement to two affiliates of Invus, L.P., resulting in net proceeds of approximately $82.2 million, after deducting underwriting discounts and commissions and estimated offering expenses.

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

Overview

We are a biopharmaceutical company with a mission of pioneering medicines that transform patients' lives. We are devoting most of our resources to the research, development and preparation for commercialization of our most advanced drug candidates:

- We are developing sotagliflozin, an orally-delivered small molecule drug candidate, as a treatment for heart failure and type 1 diabetes. We have reported positive results from two Phase 3 clinical trials evaluating the effect of sotagliflozin on long-term outcomes related to cardiovascular death and heart failure in approximately 10,500 and 1,200 patients, respectively. The U.S. Food and Drug Administration, or FDA, has accepted for filing our submission of an application for regulatory approval to market sotagliflozin for the reduction of the risk of cardiovascular death, hospitalization for heart failure and urgent heart failure visits in adults with heart failure, including those with worsening heart failure, and reduction in the risk of cardiovascular death, hospitalization for heart failure, urgent heart failure visits, nonfatal myocardial infarction and nonfatal stroke in adults with type 2 diabetes, chronic kidney disease and other cardiovascular risk factors, including a history of heart failure. We are now preparing for the commercial launch of sotagliflozin in the United States, if approved.

  We have reported positive results from three Phase 3 clinical trials evaluating the effect of sotagliflozin on type 1 diabetes in approximately 800, 800 and 1,400 patients, respectively. The FDA issued a complete response letter regarding our application for regulatory approval to market sotagliflozin for type 1 diabetes in the United States. At our request, the FDA has issued a public Notice of Opportunity for Hearing on whether there are grounds for denying approval of our application and the hearing process is ongoing.

- We are developing LX9211, an orally-delivered small molecule drug candidate, as a treatment for neuropathic pain. We have reported positive top-line results from a Phase 2 clinical trial of LX9211 in painful diabetic neuropathic pain and are conducting a second Phase 2 clinical trial of LX9211 in post-herpetic neuralgia, from which we expect top-line results in the fourth quarter of 2022. LX9211 has received Fast Track designation from the FDA for development in diabetic peripheral neuropathic pain.

- We are conducting preclinical research and development and preparing to conduct clinical development of compounds from a number of additional drug programs originating from our internal drug discovery efforts.

LX9211 originated from our collaborative neuroscience drug discovery efforts with Bristol-Myers Squibb, and sotagliflozin and compounds from a number of additional drug programs originated from our own internal drug discovery efforts. Those efforts were driven by a systematic, target biology-driven approach in which we used gene knockout technologies and an integrated platform of advanced medical technologies to systematically study the physiological and behavioral functions of almost 5,000 genes in mice and assessed the utility of the proteins encoded by the corresponding human genes as potential drug targets. We have identified and validated in living animals, or in vivo, more than 100 targets with promising profiles for drug discovery.

We are working both independently and through collaborations and strategic alliances with third parties to capitalize on our drug target discoveries and drug discovery and development programs. We seek to retain exclusive or co-exclusive rights to the benefits of certain drug discovery and development programs by developing and commercializing drug candidates from those programs internally, particularly in the United States for indications treated by specialist physicians. We seek to collaborate with other pharmaceutical and biotechnology companies with respect to drug discovery or the development and commercialization of certain of our drug candidates, particularly with respect to commercialization in territories outside the United States or commercialization in the United States for indications treated by primary care physicians, or when the collaboration may otherwise provide us with access to expertise and resources that we do not possess internally or are complementary to our own.

We have derived substantially all of our revenues from strategic collaborations and other research and development collaborations and technology licenses, as well as from commercial sales of our XERMELO product following its commercial launch in February 2017 until our sale of XERMELO and related assets to TerSera Therapeutics, LLC in September 2020. To date, we have generated a substantial portion of our revenues from a limited number of sources.

Our operating results and, in particular, our ability to generate additional revenues are dependent on many factors, including the success of our ongoing nonclinical and clinical development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and

licenses and our receipt of milestones, royalties and other payments under such arrangements; and general and industry-specific economic conditions which may affect research, development and commercialization expenditures.

Our ability to secure future revenue-generating agreements will depend upon our ability to address the needs of our potential future collaborators and licensees, and to negotiate agreements that we believe are in our long-term best interests. We may determine, as we have with certain of our drug candidates, that our interests are better served by retaining rights to our discoveries and advancing our therapeutic programs to a later stage, which could limit our near-term revenues and increase expenses. Because of these and other factors, our operating results have fluctuated in the past and are likely to do so in the future, and we do not believe that period-to-period comparisons of our operating results are a good indication of our future performance.

Since our inception, we have incurred significant losses and, as of June 30, 2022, we had an accumulated deficit of $1.5 billion. Our losses have resulted principally from costs incurred in research and development, selling, general and administrative costs associated with our operations, and non-cash stock-based compensation expenses associated with stock options and restricted stock units granted to employees and consultants. Research and development expenses consist primarily of salaries and related personnel costs, external research costs related to our nonclinical and clinical efforts, material costs, facility costs, depreciation on property and equipment, and other expenses related to our drug discovery and development programs. Selling, general and administrative expenses consist primarily of salaries and related expenses for executive, sales and marketing, and administrative personnel, professional fees and other corporate expenses, including information technology, facilities costs and general legal activities. We expect to continue to incur significant research and development costs in connection with the continuing research and development of our drug candidates. As a result, we will need to generate significantly higher revenues to achieve profitability.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make judgments, estimates and assumptions in the preparation of our condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. We believe there have been no significant changes in our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) Simplifying Accounting for Income Taxes, as part of its initiative to reduce complexity in the accounting standards. The guidance amended certain disclosure requirements that had become redundant, outdated or superseded. Additionally, this guidance amends accounting for the interim period effects of changes in tax laws or rates, and simplifies aspects of the accounting for franchise taxes. The guidance is effective for annual periods beginning after December 15, 2020, including interim periods therein. The adoption of ASU 2019-12 in the first quarter of 2021 did not have a material impact on the condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40), which removes the separation models for convertible debt with cash conversion or beneficial conversion features. ASU 2020-06 also requires the application of the if-converted method for calculating earnings per diluted share, as the treasury stock method will no longer be permitted for convertible instruments. The adoption of ASU 2020-06 during the first quarter of 2022 did not have a material impact on the condensed consolidated financial statements.

Results of Operations

Research and Development Expenses

Research and development expenses and dollar and percentage changes as compared to the corresponding periods in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total research and development expense	$ 13.4	$ 10.3	$ 28.3	$ 22.9
Dollar increase	$ 3.1		$ 5.4	
Percentage increase	30 %		24 %	

Research and development expenses consist primarily of third-party and other services principally related to nonclinical and clinical development activities, salaries and other personnel-related expenses, stock-based compensation expense, and facility and equipment costs.

- *Third-party and other services* – Third-party and other services for the three months ended June 30, 2022 increased 37% to $7.6 million, and for the six months ended June 30, 2022 increased 34% to $17.0 million, as compared to the corresponding periods in 2021 primarily due to increases in both clinical trial and related development and professional and consulting fees relating to preparations for the submission of our application for regulatory approval to market sotagliflozin in the United States for heart failure. Third-party and other services relate principally to our clinical trial and related development activities, such as nonclinical and clinical studies and contract manufacturing.

- *Personnel* – Personnel costs for the three months ended June 30, 2022 increased 61% to $3.5 million, and for the six months ended June 30, 2022 increased 32% to $6.7 million, as compared to the corresponding periods in 2021, primarily due to higher employee salaries and benefit costs as a result of increasing headcount during 2022 in preparation for commercialization of sotagliflozin. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.

- *Stock-based compensation* – Stock-based compensation expenses for the three months ended June 30, 2022 decreased 7% to $1.1 million, and for the six months ended June 30, 2022 decreased 14% to $2.1 million, as compared to the corresponding periods in 2021, primarily due to cancellation of unvested share-based awards during 2021.

- *Facilities and equipment* – Facilities and equipment costs for the three months ended June 30, 2022 and 2021 were $0.3 million and $0.4 million, respectively. Facilities and equipment costs for the six months ended June 30, 2022 and 2021 were $0.6 million and $0.7 million, respectively.

- *Other* – Other costs for the three months ended June 30, 2022 and 2021 were $0.9 million and $1.0 million, respectively. Other costs for the six months ended June 30, 2022 and 2021 were $1.8 million and $1.9 million, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses and dollar and percentage changes as compared to the corresponding periods in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total selling, general and administrative expense	$ 10.7	$ 7.9	$ 19.2	$ 16.2
Dollar increase	$ 2.8		$ 3.0	
Percentage increase	35 %		19 %	

Selling, general and administrative expenses consist primarily of personnel costs to support our research and development activities, professional and consulting fees, stock-based compensation expense, and facility and equipment costs.

- *Personnel* – Personnel costs for the three months ended June 30, 2022 increased 79% to $4.2 million, and for the six months ended June 30, 2022 increased 36% to $7.6 million, as compared to the corresponding periods in 2021, primarily due to higher employee salaries and benefit costs as a result of increasing headcount during 2022 in preparation for commercialization of sotagliflozin. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.

- *Professional and consulting fees* – Professional and consulting fees for the three months ended June 30, 2022 increased 24% to $3.5 million, and for the six months ended June 30, 2022 increased 11% to $5.7 million, as compared to the corresponding periods in 2021, primarily due to higher marketing and professional fees, partially offset by lower legal fees.

- *Stock-based compensation* – Stock-based compensation expenses for the three months ended June 30, 2022 increased 8% to $1.7 million, and for the six months ended June 30, 2022 increased 10% to $3.5 million as compared to the corresponding periods in 2021.

- *Facilities and equipment* – Facilities and equipment costs for the three months ended June 30, 2022 and 2021 were $0.3 million and $0.4 million, respectively. Facilities and equipment costs for the six months ended June 30, 2022 and 2021 were $0.6 million and $0.7 million, respectively.

- *Other* – Other costs for the three months ended June 30, 2022 and 2021 were $1.0 million and $0.8 million, respectively. Other costs for the six months ended June 30, 2022 and 2021 were $1.8 million and $1.6 million, respectively.

Net Loss and Net Loss per Common Share

Net loss and Net loss per Common Share. Net loss was $24.6 million, or $0.16 per share, in the three months ended June 30, 2022 as compared to a net loss of $18.1 million, or $0.13 per share, in the corresponding period in 2021. Net loss was $48.1 million, or $0.32 per share, in the six months ended June 30, 2022 as compared to a net loss of $39.0 million, or $0.27 per share, in the corresponding period in 2021.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future, and we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

Liquidity and Capital Resources

We have financed our operations from inception primarily through sales of common and preferred stock, contract and milestone payments we received under our collaborations and strategic licenses, target validation, database subscription and technology license agreements, product sales, government grants and contracts, and financing under debt and lease arrangements, as well as from commercial sales of our XERMELO product following its commercial launch in February 2017 until our sale of XERMELO and related assets to TerSera Therapeutics, LLC in September 2020. We have also financed certain of our research and development activities under financing arrangements with Symphony Icon, Inc. In March 2022, we entered into a loan and security agreement with Oxford Finance LLC that provides up to $150 million in borrowing capacity, available in four tranches, under which $25 million has been funded.

As of June 30, 2022, we had $62.0 million in cash, cash equivalents and short-term investments. As of December 31, 2021, we had $86.7 million in cash, cash equivalents and short-term investments. We used cash of $47.8 million from operations in the six months ended June 30, 2022. This consisted primarily of the net loss for the period of $48.1 million and a net decrease in operating liabilities net of assets of $5.8 million, partially offset by non-cash charges of $5.6 million related to stock-based compensation expense. Investing activities used cash of $18.1 million in the six months ended June 30, 2022, primarily due to net purchases of investments. Financing activities provided cash of $23.3 million primarily from $24.2 million of net proceeds from the Oxford debt financing during March 2022, which was partially offset by $0.9 million used to repurchase common stock by retaining shares in substitution of the tax withholding obligations of recipients of restricted stock units granted under our 2017 Equity Incentive Plan with respect to the vesting of such restricted stock units.

Other commitments. In April 2019, sotagliflozin was approved in the European Union for use as an adjunct to insulin therapy to improve glycemic control in adults with type 1 diabetes and a body mass index $\geq 27\ kg/m^2$, who could not achieve adequate glycemic control despite optimal insulin therapy. In March 2022, we filed an application for withdrawal of such approval for business reasons, which request was granted by the European Commission. Upon the achievement of certain European regulatory pricing approvals, we would have been required to make certain royalty payments, totaling $4.5 million, in three equal annual installments of $1.5 million.

Facilities. In February 2021, we leased a 25,000 square-foot office space in The Woodlands, Texas. The term of the sublease extends from March 1, 2021 through August 31, 2025, and provides for escalating yearly base rent payments starting at $506,000 and increasing to $557,000 in the final year of the lease.

In March 2015, our subsidiary Lexicon Pharmaceuticals (New Jersey), Inc. leased a 25,000 square-foot office space in Basking Ridge, New Jersey. The term of the lease extends from June 1, 2015 through December 31, 2022, and provides for escalating yearly base rent payments starting at $482,000 and increasing to $646,000 in the final year of the lease. In July 2022, Lexicon Pharmaceuticals (New Jersey), Inc. entered into an agreement to lease a 22,000 square-foot office space in Bridgewater, New Jersey to which we plan to relocate our New Jersey offices. The term of the lease is expected to commence in December 2022, will extend for ten years and 11 months from such commencement date and provides for escalating yearly base rent payments starting at $820,000 and increasing to $986,000 in the final year of the lease.

Our future capital requirements will be substantial and will depend on many factors, including the success of our ongoing nonclinical and clinical development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and licenses and our receipt of milestones, royalties and other payments under such arrangements; the amount and timing of our research, development and commercialization expenditures; the resources we devote to developing and supporting our products and other factors. Our capital requirements will also be affected by any expenditures we make in connection with license agreements and acquisitions of and investments in complementary technologies and businesses. We expect to continue to devote substantial capital resources to prepare for the commercialization of sotagliflozin, if approved; successfully complete our nonclinical and clinical development efforts with respect to sotagliflozin, LX9211 and our other drug candidates; and for other general corporate activities. We believe that our current unrestricted cash and investment balances and cash and revenues we expect to derive from strategic and other collaborations and other sources will be sufficient to fund our operations for at least the next 12 months. During or after this period, if cash generated by operations is insufficient to satisfy our liquidity requirements, we will need to sell additional equity or debt securities or obtain additional credit arrangements. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

From time to time, our board of directors may authorize us to repurchase shares of our common stock. If and when our board of directors should determine to authorize any such action, it would be on terms and under market conditions that our board of directors determines are in the best interest of us and our stockholders. Any such actions could deplete significant amounts of our cash resources and/or result in additional dilution to our stockholders.

Disclosure about Market Risk

We are exposed to limited market and credit risk on our cash equivalents which have maturities of three months or less at the time of purchase. We maintain a short-term investment portfolio which consists of U.S. Treasury bills and corporate debt securities that mature three to 12 months from the time of purchase, which we believe are subject to limited market and credit risk. We currently do not hedge interest rate exposure or hold any derivative financial instruments in our investment portfolio.

We had approximately $62.0 million in cash and cash equivalents and short-term investments as of June 30, 2022. We believe that the working capital available to us will be sufficient to meet our cash requirements for at least the next 12 months. We are subject to interest rate sensitivity on our outstanding Oxford Term Loans as they contain a floating rate tied to the 30-

day LIBOR rate. The Oxford Term Loans interest is payable in cash monthly and matures in March 2027, unless earlier repaid in accordance with their terms.

We have operated primarily in the United States and substantially all sales to date have been made in U.S. dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See “Disclosure about Market Risk” under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for quantitative and qualitative disclosures about market risk.

Item 4. Controls and Procedures

Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in the reports we file under the Securities Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures as of the end of the period covered by this report. There were no changes in our internal control over financial reporting during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II -- Other Information

Item 1. Legal Proceedings

We are from time to time party to claims and legal proceedings that arise in the normal course of our business and that we believe will not have, individually or in the aggregate, a material adverse effect on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

The following risks and uncertainties are important factors that could cause actual results or events to differ materially from those indicated by forward-looking statements. The factors described below are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Our Business and Industry

- We depend heavily on our ability to obtain regulatory approval in the United States for sotagliflozin in heart failure. If we fail to obtain such regulatory approval, our business will suffer and our stock price will likely decline.
- If approved, we will depend heavily on the commercial success of sotagliflozin in heart failure. If we do not achieve commercial success with sotagliflozin, our business will suffer and our stock price will likely decline.
- We depend on our ability to obtain positive results from our ongoing Phase 2 clinical trial of LX9211 in post-herpetic neuralgia. If we fail to successfully complete and obtain positive results from such clinical trial, our business will suffer and our stock price will likely decline.
- Clinical testing of our drug candidates in humans is an inherently risky and time-consuming process that may fail to demonstrate safety and efficacy, which could result in the delay, limitation or prevention of regulatory approval.
- Our drug candidates are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our and our collaborators' ability to commercialize products.
- The commercial success of any products that we or our collaborators may develop will depend upon the degree of market acceptance among physicians, patients, health care payers and the medical community.
- If we are unable to reestablish an effective sales force, marketing infrastructure and distribution capabilities, we will not be able to successfully commercialize any products that we or our collaborators may develop.
- If we are unable to maintain adequate coverage and reimbursement from third-party payers for any products that we or our collaborators may develop, our revenues and prospects for profitability will suffer.
- We may not be able to manufacture products that we or our collaborators may develop in commercial quantities, which would impair our ability to commercialize such products.
- We and our collaborators are subject to extensive and rigorous ongoing regulation relating to any products that we or our collaborators may develop.
- We are subject to certain healthcare laws, regulation and enforcement; our failure to comply with those laws could have a material adverse effect on our results of operations and financial condition.
- Current healthcare laws and regulations and future legislative or regulatory reforms to the healthcare system may negatively affect our revenues and prospects for profitability.
- Our competitors may develop products that impair the value of any products that we or our collaborators may develop.
- We face business disruption and related risks resulting from the outbreak of the novel coronavirus, or COVID-19, including delays in the enrollment of ongoing clinical trials and other operational impacts, each of which could have a material adverse effect on our business.

Risks Related to Our Capital Requirements and Financial Results

- We will need additional capital in the future and, if it is unavailable, we will be forced to delay, reduce or eliminate our research and development programs. If additional capital is not available on reasonable terms, we will be forced to obtain funds, if at all, by entering into financing agreements on unattractive terms.
- We have a history of net losses, and we expect to continue to incur net losses and may not achieve or maintain profitability.
- Our operating results have fluctuated and likely will continue to fluctuate, and we believe that period-to-period comparisons of our operating results are not a good indication of our future performance.
- We have substantial indebtedness that may limit cash flow available to invest in the ongoing needs of our business.
- If we do not effectively manage our affirmative and restrictive covenants under the Oxford Term Loans, our financial condition and results of operations could be adversely affected.

Risks Related to Our Relationships with Third Parties

- We depend on our ability to establish collaborations with pharmaceutical and biotechnology companies for the development and commercialization of our drug candidates, particularly for the development and commercialization of LX9211 for neuropathic pain. If we are unable to establish such collaborations, or if pharmaceutical products are not successfully and timely developed and commercialized under such collaborations, our opportunities to generate revenues from our drug candidates will be greatly reduced.
- Conflicts with our collaborators could jeopardize the success of our collaborative agreements and harm our product development efforts.
- We rely on third parties to carry out our nonclinical studies and clinical trials, which may harm or delay our research and development efforts.
- We lack the capability to manufacture materials for nonclinical studies and clinical trials and commercial supplies for any products which gain regulatory approval. Our reliance on third parties to manufacture our drug candidates may harm or delay our research, development and commercialization efforts.

Risks Related to Our Intellectual Property

- If we are unable to adequately protect our intellectual property, third parties may be able to use our products and technologies, which could adversely affect our ability to compete in the market.
- We may be involved in patent litigation and other disputes regarding intellectual property rights and may require licenses from third parties for our planned nonclinical and clinical development and commercialization activities. We may not prevail in any such litigation or other dispute or be able to obtain required licenses.
- Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business, reputational harm and financial loss.
- We may be subject to damages resulting from claims that we, our employees or independent contractors have wrongfully used or disclosed alleged trade secrets of their former employers.

Risks Related to Our Employees and Facilities

- If we are unable to manage our growth, our business, financial condition, results of operations and prospects may be adversely affected.
- The loss of key personnel or the inability to attract and retain additional personnel could impair our ability to operate and expand our operations.
- Our facilities are located near coastal zones, and the occurrence of a hurricane or other disaster could damage our facilities and equipment, which could harm our operations.

Risks Related to Environmental and Product Liability

- We have used hazardous chemicals and radioactive and biological substances in our business. Any claims relating to improper handling, storage or disposal of these substances could be time consuming and costly.

- Our business has a substantial risk of product liability and we face potential product liability exposure far in excess of our limited insurance coverage.

Risks Related to Our Common Stock

- Invus, L.P. and its affiliates own a controlling interest in our outstanding common stock and may have interests which conflict with those of our other stockholders.

- Invus has additional rights under its stockholders' agreement relating to the membership of our board of directors and under our certificate of incorporation relating to preemptive and consent rights, which provide Invus with substantial influence over significant corporate matters.

- Our stock price may be extremely volatile.

- Future issuances or sales of our common stock, or the perception that such issuances or sales may occur, may depress our stock price.

- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

For additional discussion of the risks and uncertainties that affect our business, see "Item 1A. Risk Factors" included in our annual report on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission.

Item 6. Exhibits

Exhibit No.		Description
3.1	—	Fifth Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 20, 2022 and incorporated by reference herein).
*31.1	—	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	—	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	—	Certification of Principal Executive and Principal Financial Officers Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	—	XBRL Instance Document
101.SCH	—	XBRL Taxonomy Extension Schema Document
101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document
104	—	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

Signatures

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

Lexicon Pharmaceuticals, Inc.

Date: August 3, 2022 By: /s/ Lonnel Coats
Lonnel Coats
Chief Executive Officer

Date: August 3, 2022 By: /s/ Jeffrey L. Wade
Jeffrey L. Wade
President and Chief Financial Officer

Exhibit 3.1

FIFTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
LEXICON PHARMACEUTICALS, INC.

LEXICON PHARMACEUTICALS, INC. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware ("DGCL"), hereby certifies as follows pursuant to Sections 242 and 245 of the DGCL:

FIRST: The name of the Corporation is "Lexicon Pharmaceuticals, Inc." The Corporation was previously incorporated as "Lexicon Genetics Incorporated."

SECOND: The current Certificate of Incorporation of the Corporation was filed in the Office of the Secretary of State of the State of Delaware (the "Secretary of State") on April 30, 2021.

THIRD: The Board of Directors of the Corporation (the "Board of Directors"), in accordance with Sections 242 and 245 of the DGCL, (i) adopted and approved this Fifth Amended and Restated Certificate of Incorporation (including the amendments to the Corporation's Certificate of Incorporation effected hereby) and (ii) proposed that the Corporation's stockholders adopt and approve this Fifth Amended and Restated Certificate of Incorporation (including the amendments to the Corporation's Certificate of Incorporation effected hereby).

FOURTH: The holders of not less than a majority of the outstanding shares of the Corporation's common stock, par value $.001 per share, and preferred stock, par value $0.01 per share, in accordance with Sections 242 and 245 of the DGCL, approved and adopted on behalf of the stockholders this Fifth Amended and Restated Certificate of Incorporation (including the amendments to the Corporation's Certificate of Incorporation effected hereby).

FIFTH: This Fifth Amended and Restated Certificate of Incorporation shall become effective on its filing with the Secretary of State.

SIXTH: The current Certificate of Incorporation of the Corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I
Name

The name of the Corporation is "Lexicon Pharmaceuticals, Inc."

ARTICLE II
Registered Office and Registered Agent

The registered office of the Corporation in the State of Delaware is located at 251 Little Falls Drive in the City of Wilmington, County of New Castle, Zip Code 19808. The name of the registered agent of the Corporation at such address is Corporation Service Company.

ARTICLE III
Purpose

The purpose for which the Corporation is organized is to engage in any lawful acts and activities for which corporations may be organized under the General Corporation Law of the State of Delaware ("DGCL").

ARTICLE IV
Capitalization

Section 4.01 Authorized Capital. (a) The total number of shares of stock that the Corporation shall have the authority to issue is 305,000,000 shares of capital stock, consisting of (i) 5,000,000 shares of preferred stock, par value $0.01

per share (the "Preferred Stock"), and (ii) 300,000,000 shares of common stock, par value $0.001 per share (the "Common Stock").

(b) Subject to the provisions of this Certificate of Incorporation and the Preferred Stock Designation (as defined below) creating any series of Preferred Stock, the Corporation may issue shares of its capital stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors of the Corporation (the "Board of Directors"), which is expressly authorized to fix the same in its absolute discretion subject to the foregoing conditions. Shares so issued for which the consideration shall have been paid or delivered to the Corporation shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of such shares shall not be liable for any further payments in respect of such shares.

(c) The right to cumulate votes for the election of directors as provided in Section 214 of the DGCL shall not be granted and is hereby expressly denied.

(d) Subject to Article XII, no stockholder of the Corporation shall by reason of his or her holding shares of any class of capital stock of the Corporation have any preemptive or preferential right to acquire or subscribe for any additional, unissued or treasury shares (whether now or hereafter acquired) of any class of capital stock of the Corporation now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying any right, option or warrant to subscribe for or acquire shares of any class of capital stock of the Corporation now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividends or voting or other rights of that stockholder.

Section 4.02 Preferred Stock. (a) The Preferred Stock may be issued from time to time in one or more series. Authority is hereby expressly granted to and vested in the Board of Directors to authorize from time to time the issuance of Preferred Stock in one or more series. With respect to each series of Preferred Stock authorized by it, the Board of Directors shall be authorized to establish by resolution or resolutions, and by filing a certificate pursuant to applicable law of the State of Delaware (the "Preferred Stock Designation"), the following to the fullest extent now or hereafter permitted by the DGCL:

(1) the designation of such series;

(2) the number of shares to constitute such series;

(3) whether such series is to have voting rights (full, special or limited) or is to be without voting rights;

(4) if such series is to have voting rights, whether or not such series is to be entitled to vote as a separate class either alone or together with the holders of the Common Stock or one or more other series of Preferred Stock;

(5) the preferences and relative, participating, optional, conversion or other special rights (if any) of such series and the qualifications, limitations or restrictions (if any) with respect to such series;

(6) the redemption rights and price(s), if any, of such series, and whether or not the shares of such series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking funds or funds are to be established, the periodic amount thereof and the terms and provisions relative to the operation thereof;

(7) the dividend rights and preferences (if any) of such series, including, without limitation, (i) the rates of dividends payable thereon, (ii) the conditions upon which and the time when such dividends are payable, (iii) whether or not such dividends shall be cumulative or noncumulative and, if cumulative, the date or dates from which such dividends shall accumulate and (iv) whether or not the payment of such dividends shall be preferred to the payment of dividends payable on the Common Stock or any other series of Preferred Stock;

(8) the preferences (if any), and the amounts thereof, which the holders of such series shall be entitled to receive upon the voluntary or involuntary liquidation, dissolution or winding-up of, or upon any distribution of the assets of, the Corporation;

(9) whether or not the shares of such series, at the option of the Corporation or the holders thereof or upon the happening of any specified event, shall be convertible into or exchangeable for (i) shares of Common Stock, (ii) shares of any other series of Preferred Stock or (iii) any other stock or securities of the Corporation;

(10) if such series is to be convertible or exchangeable, the price or prices or ratio or ratios or rate or rates at which such conversion or exchange may be made and the terms and conditions (if any) upon which such price or prices or ratio or ratios or rate or rates may be adjusted; and

(11) such other rights, powers and preferences with respect to such series as may to the Board of Directors seem advisable.

Any series of Preferred Stock may vary from any other series of Preferred Stock in any or all of the foregoing respects and in any other manner.

(b) The Board of Directors may, with respect to any existing series of Preferred Stock but subject to the Preferred Stock Designation creating such series, (i) increase the number of shares of Preferred Stock designated for such series by a resolution adding to such series authorized and unissued shares of Preferred Stock not designated for any other series and (ii) decrease the number of shares of Preferred Stock designated for such series by a resolution subtracting from such series shares of Preferred Stock designated for such series (but not below the number of shares of such series then outstanding), and the shares so subtracted shall become authorized, unissued and undesignated shares of Preferred Stock.

(c) No vote of the holders of the Common Stock or the Preferred Stock shall, unless otherwise expressly provided in a Preferred Stock Designation creating any series of Preferred Stock, be a prerequisite to the issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation. Shares of any series of Preferred Stock that have been authorized for issuance pursuant to this Certificate of Incorporation and that have been issued and reacquired in any manner by the Corporation (including upon conversion or exchange thereof) shall be restored to the status of authorized and unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors and a Preferred Stock Designation as set forth above.

Section 4.03. Common Stock. (a) The holders of shares of the Common Stock shall be entitled to vote upon all matters submitted to a vote of the common stockholders of the Corporation and shall be entitled to one vote for each share of the Common Stock held.

(b) Subject to the prior rights and preferences (if any) applicable to shares of Preferred Stock of any series, the holders of shares of the Common Stock shall be entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared thereon by the Board of Directors at any time and from time to time out of any funds of the Corporation legally available therefor.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the preferential or other rights (if any) of the holders of shares of the Preferred Stock in respect thereof, the holders of shares of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of the Common Stock held by them. For purposes of this paragraph (c), a liquidation, dissolution or winding-up of the Corporation shall not be deemed to be occasioned by or to include (i) any consolidation or merger of the Corporation with or into another corporation or other entity or (ii) a sale, lease, exchange or conveyance of all or a part of the assets of the Corporation.

Section 4.04. Stock Options, Warrants, etc. Unless otherwise expressly prohibited in the Preferred Stock Designation creating any series of Preferred Stock, the Corporation shall have authority to create and issue warrants, rights and options entitling the holders thereof to purchase from the Corporation shares of the Corporation's capital stock of any class or series or other securities of the Corporation for such consideration and to such persons, firms or corporations as the Board of Directors, in its sole discretion, may determine, setting aside from the authorized but unissued capital stock of the Corporation the requisite number of shares for issuance upon the exercise of such warrants, rights or options. Such warrants, rights and options shall be evidenced by one or more instruments approved by the Board of Directors. The Board of Directors shall be empowered to set the exercise price, duration, time for exercise and other terms of such warrants, rights or options; *provided*, *however*, that the consideration to be received for any shares of capital stock subject thereto shall not be less than the par value thereof.

ARTICLE V
Directors

Section 5.01. Number and Term. The number of directors of the Corporation shall from time to time be fixed exclusively by the Board of Directors in accordance with, and subject to the limitations set forth in, the bylaws of the Corporation (the "Bylaws"); *provided*, *however*, that the Board of Directors shall at all times consist of a minimum of three and a maximum of 13 directors, subject, however, to increases above 13 directors as may be required in order to permit the holders of any series of Preferred Stock to exercise their right (if any) to elect additional directors under specified circumstances or to permit the election or appointment to the Board of Directors of the Required Director Number of Investor Designated Directors (each as defined in the Stockholders' Agreement, dated as of June 17, 2007, between Invus, L.P. and the Corporation (as amended, supplemented or otherwise modified, the "Stockholders' Agreement")) pursuant to the Stockholders' Agreement. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Anything in this Certificate of Incorporation or the Bylaws to the contrary notwithstanding, each director shall hold office until his successor is elected and qualified or until his earlier death, resignation or removal.

Section 5.02. Limitation of Personal Liability. (a) No person who is or was a director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

(b) If the DGCL is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the personal liability of the directors to the Corporation or its stockholders shall be limited or eliminated to the fullest extent permitted by the DGCL, as so amended from time to time.

Section 5.03. Classification. The Board of Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively, all as nearly equal in number as possible, with each director then in office receiving the classification to be determined with respect to such director by the Board of Directors. The initial term of office of Class I directors shall expire at the annual meeting of the Corporation's stockholders in 2001. The initial term of office of Class II directors shall expire at the annual meeting of stockholders in 2002. The initial term of office of Class III directors shall expire at the annual meeting of stockholders in 2003. Each director elected at an annual meeting of stockholders to succeed a director whose term is then expiring shall hold office until the third annual meeting of stockholders after his election or until his successor is elected and qualified or until his earlier death, resignation or removal. Increases and decreases in the number of directors shall be apportioned among the classes of directors so that all classes will be as nearly equal in number as possible. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 5.04. Nomination and Election. (a) Nominations of persons for election or reelection to the Board of Directors may be made by or at the direction of the Board of Directors. The Bylaws may set forth procedures for the nomination of persons for election or reelection to the Board of Directors and only persons who are nominated in accordance with such procedures (if any) shall be eligible for election or reelection as directors of the Corporation; *provided*, *however*, that such procedures shall not infringe upon (i) the right of the Board of Directors to nominate persons for election or reelection to the Board of Directors or (ii) the rights of the holders of any class or series of Preferred Stock, voting separately by class or series, to elect additional directors under specified circumstances.

(b) Each director shall be elected in accordance with this Certificate of Incorporation, the Bylaws and applicable law. Election of directors by the Corporation's stockholders need not be by written ballot unless the Bylaws so provide.

Section 5.05. Removal. No director of any class may be removed before the expiration of his term of office except for cause and then only by the affirmative vote of the holders of not less than a majority in voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in an election of directors, voting together as a single class. The Board of Directors may not remove any director, and no recommendation by the Board of Directors that a director be removed may be made to the Corporation's stockholders unless such recommendation is set forth in a resolution adopted by the affirmative vote of not less than 66-2/3% of the whole Board of Directors.

Section 5.06. Vacancies. (a) In case any vacancy shall occur on the Board of Directors because of death, resignation or removal, such vacancy may be filled only by a majority (or such higher percentage as may be specified in the Bylaws) of the directors remaining in office (though less than a quorum), or by the sole remaining director. The director so appointed shall serve for the unexpired term of his predecessor or until his successor is elected and qualified or until his earlier

death, resignation or removal. If there are no directors then in office, an election of directors may be held in the manner provided by applicable law.

(b) Any newly-created directorship resulting from any increase in the number of directors may be filled only by a majority (or such higher percentage as may be specified in the Bylaws) of the directors then in office (though less than a quorum), or by the sole remaining director. The director so appointed shall be assigned to such class of directors as such majority of directors or the sole remaining director, as the case may be, shall determine; *provided*, *however*, that newly-created directorships shall be apportioned among the classes of directors so that all classes will be as nearly equal in number as possible. Each director so appointed shall hold office for the remaining term of the class to which he is assigned or until his successor is elected and qualified or until his earlier death, resignation or removal.

(c) Except as expressly provided in this Certificate of Incorporation or as otherwise provided by applicable law, stockholders of the Corporation shall not have the right to fill vacancies on the Board of Directors, including newly-created directorships.

Section 5.07. Subject to Rights of Holders of Preferred Stock. Notwithstanding the foregoing provisions of this Article V, if the Preferred Stock Designation creating any series of Preferred Stock entitles the holders of such Preferred Stock, voting separately by class or series, to elect additional directors under specified circumstances, then all provisions of such Preferred Stock Designation relating to the nomination, election, term of office, removal, filling of vacancies and other features of such directorships shall, as to such directorships, govern and control over any conflicting provisions of this Article V, and such directors so elected need not be divided into classes pursuant to this Article V unless expressly provided by the provisions of such Preferred Stock Designation.

ARTICLE VI
Amendment of Bylaws

The Board of Directors is expressly authorized and empowered to adopt, alter, amend or repeal the Bylaws. Stockholders of the Corporation shall have the power to alter, amend, expand or repeal the Bylaws but only by the affirmative vote of the holders of not less than 66-2/3% in voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally at an election of directors, voting together as a single class.

ARTICLE VII
Actions and Meetings of Stockholders

Section 7.01. No Action by Written Consent. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders. Stockholders of the Corporation may not act by written consent in lieu of a meeting.

Section 7.02. Meetings. (a) Meetings of the stockholders of the Corporation (whether annual or special) may only be called by the Board of Directors or by such officer or officers of the Corporation as the Board of Directors may from time to time authorize to call meetings of the stockholders of the Corporation. Stockholders of the Corporation shall not be entitled to call any meeting of stockholders or to require the Board of Directors or any officer or officers of the Corporation to call a meeting of stockholders except as otherwise expressly provided in the Bylaws or in the Preferred Stock Designation creating any series of Preferred Stock.

(b) Stockholders of the Corporation shall not be entitled to propose business for consideration at any meeting of stockholders except as otherwise expressly provided in the Bylaws or in the Preferred Stock Designation creating any series of Preferred Stock.

(c) Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice or waivers of notice of such meeting. The person presiding at a meeting of stockholders may determine whether business has been properly brought before the meeting and, if the facts so warrant, such person may refuse to transact any business at such meeting which has not been properly brought before such meeting.

Section 7.03. Appoint and Remove Officers, etc. The stockholders of the Corporation shall have no right or power to appoint or remove officers of the Corporation nor to abrogate the power of the Board of Directors to elect and remove officers of the Corporation. The stockholders of the Corporation shall have no power to appoint or remove directors as members of committees of the Board of Directors nor to abrogate the power of the Board of Directors to establish one or more such committees or the power of any such committee to exercise the powers and authority of the Board of Directors.

Section 7.04. Compromises and Arrangements. Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under § 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under § 279 of Title 8 of the Delaware code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ARTICLE VIII
Indemnification of Directors and Officers

The Corporation shall indemnify, to the fullest extent permitted by applicable law and pursuant to the Bylaws, each person who is or was a director or officer of the Corporation, and may indemnify each employee and agent of the Corporation and all other persons whom the Corporation is authorized to indemnify under the provisions of the DGCL.

ARTICLE IX
Election to be Governed by Section 203 of the DGCL

The Corporation hereby elects to be governed by Section 203 of the DGCL; *provided*, *however*, that the provisions of this Article IX shall not apply to restrict a business combination between the Corporation and an interested stockholder (as defined in Section 203 of the DGCL) of the Corporation if either (i) such business combination was approved by the Board of Directors prior to the time that such stockholder became an interested stockholder or (ii) such stockholder became an interested stockholder as a result of, and at or prior to the effective time of, a transaction which was approved by the Board of Directors prior to the time that such stockholder became an interested stockholder.

ARTICLE X
Amendment of Certificate of Incorporation

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by applicable law, and all rights conferred upon stockholders, directors or any other persons by or pursuant to this Certificate of Incorporation are granted subject to this reservation. Notwithstanding the foregoing or any other provision of this Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, the provisions of this Article X and of Articles V, VI, VII and VIII may not be repealed or amended in any respect, and no provision inconsistent with any such provision or imposing cumulative voting in the election of directors may be added to this Certificate of Incorporation, unless such action is approved by the affirmative vote of the holders of not less than 66-2/3% in voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally at an election of directors, voting together as a single class; *provided*, *however*, that any amendment or repeal of Section 5.02 or Article VIII of this Certificate of Incorporation shall not adversely affect any right or protection existing thereunder in respect of any act or omission occurring prior to such amendment or repeal and, *provided further*, that no Preferred Stock Designation shall be amended after the issuance of any shares of the Series of Preferred Stock created thereby, except in accordance with the terms of such Preferred Stock Designation and the requirements of applicable law.

ARTICLE XI
Voting Requirements Not Exclusive

The voting requirements contained in this Certificate of Incorporation shall be in addition to the voting requirements imposed by law or by the Preferred Stock Designation creating any series of Preferred Stock.

ARTICLE XII
Certain Rights of Covered Stockholders

Section 12.01. Rights to Purchase New Securities. (a) Notwithstanding Section 4.01(d), in the event that the Corporation proposes to issue New Securities, a Covered Stockholder shall have the right to purchase, in lieu of the person to whom the Corporation proposed to issue such New Securities, in accordance with paragraph (b) below, a number of New Securities equal to the product of (i) the total number or amount of New Securities which the Corporation proposes to issue at such time and (ii) a fraction, the numerator of which shall be the total number of shares of Common Stock which the Covered Stockholder beneficially owns at the relevant measurement point, and the denominator of which shall be the aggregate number of shares of Common Stock then outstanding (the number referred to in clause (ii), the "Pro Rata Share").

(b) Subject to the provisions of Section 12.01(c), in the event that the Corporation proposes to undertake an issuance of New Securities, it shall give written notice (a "Notice of Issuance") of its intention to the Covered Stockholder indicating the price per New Security (or, to the extent not reasonably known to the Corporation at such time, the methodology for determining such price) and the number of New Securities to be issued by the Corporation, and describing the material terms of the New Securities and the material terms upon which the Corporation proposes to issue such New Securities. The Covered Stockholder shall have two business days from the date of receipt of the Notice of Issuance to agree to purchase all or a portion of the Covered Stockholder's Pro Rata Share of such New Securities (as determined pursuant to paragraph (a) above) for the same consideration and otherwise upon the terms specified in the Notice of Issuance (unless better terms are provided to any other purchaser) by giving written notice to the Corporation and stating therein the quantity of New Securities to be purchased by the Covered Stockholder. If the Covered Stockholder exercises its right to purchase New Securities pursuant to this Section 12.01(b), the purchase and sale of such New Securities shall close at the same time as the issuance of New Securities to the other purchaser or purchasers and, subject to the preceding sentence, shall be issued on the same terms and subject to the same conditions as applicable to the other purchaser or purchasers; *provided* that (i) such terms and conditions applicable to the Covered Stockholder shall not include any restrictions on the transferability of such New Securities (except pursuant to applicable laws and regulations) or any standstill, voting or other restrictions, (ii) the Covered Stockholder shall not be required to make any representations and warranties except those that relate solely to the Covered Stockholder and (iii) the Covered Stockholder will not be required to undertake any indemnification obligation.

The rights given by the Corporation under this Section 12.01(b) shall terminate if unexercised within two business days after receipt of the Notice of Issuance referred to in this Section 12.01(b). Notwithstanding anything to the contrary contained herein, if (i) the price or any other material terms upon which the Corporation proposes to issue such New Securities are amended by the Corporation following the delivery to the Covered Stockholder of the Notice of Issuance or (ii) the offering of New Securities to which a Notice of Issuance relates is not completed within five business days from the delivery of such notice to the Covered Stockholder, the Covered Stockholder's election with respect to the purchase of New Securities covered by such Notice of Issuance shall be void and the Corporation shall be obligated to deliver a new Notice of Issuance to the Covered Stockholder, and the Covered Stockholder shall be entitled to make a new election with respect to the purchase by it of New Securities covered by such notice within the two-business day period from the date of delivery of the new Notice of Issuance and otherwise in accordance with the procedure specified in the second sentence of this Section 12.01(b).

(c) Notwithstanding anything to the contrary contained in Section 12.01(b), if the Corporation proposes to issue New Securities in an aggregate amount of at least $25,000,000 in a Public Offering, the Notice of Issuance may, in lieu of specifying the price at which the Corporation proposes to issue New Securities and the number of New Securities to be issued by the Corporation in such offering, provide an estimated aggregate public offering size (in dollar amount) of the New Securities (exclusive of any Overallotment Securities, as contemplated by the following paragraph) that the Corporation estimates will ultimately be issued in such offering (the "Estimated Offering Size") and, to the extent different from the closing price per share of the Common Stock on the Nasdaq Stock Market or the principal securities exchange on which the Common Stock is then listed on the date immediately prior to the date on which the Notice of Issuance is delivered to the Covered Stockholder pursuant to this Section 12.01(c), an estimated public offering price per New Security (such closing price of the Common Stock or, if specified in such Issuance Notice, the estimated price per New Security so specified, the "Estimated Offering Price"). If the Covered Stockholder desires to exercise its rights under this Section 12.01 with respect to such Public Offering, the Covered Stockholder shall be required to make an election with respect to the purchase, at the public offering price in such Public Offering, of a dollar amount of New Securities up to its Pro Rata Share of the Estimated Offering Size no later than two business days from the date of receipt of the Notice of Issuance (which period shall be reduced to one business day if, prior to delivery of such Notice of Issuance, such Covered Stockholder, to the extent requested by the Corporation, had not entered into a customary agreement reasonably satisfactory to the Corporation requiring that the Covered Stockholder maintain the confidentiality of the proposed Public Offering unless and until publicly announced by the Corporation); *provided* that the Covered Stockholder's obligation to purchase the dollar amount of New Securities subject to its election shall be conditioned upon (i) the issuance by the Corporation of New Securities in such Public Offering at an aggregate public offering

price of at least 85% and no more than 115% of the Estimated Offering Size and (ii) the New Securities so issued being priced not higher than 15% above the Estimated Offering Price. For clarity, in the event the Covered Stockholder does not purchase the dollar amount of New Securities subject to its election in reliance upon the foregoing proviso, the Covered Stockholder shall be deemed to have chosen not to exercise its rights under this Section 12.01 with respect to such Public Offering.

Any Notice of Issuance provided by the Corporation to the Covered Stockholder in connection with a Public Offering may specify that the underwriters or agents in such offering shall be entitled to purchase upon exercise of an overallotment option, if any, additional New Securities in an amount up to 15% of the New Securities issued in such Public Offering (the "Overallotment Securities"). If the Covered Stockholder desires to exercise its rights under this Section 12.01 with respect to Overallotment Securities, the Covered Stockholder shall be required to make an election with respect to the purchase of up to its Pro Rata Share of the Overallotment Securities at the same time the Covered Stockholder makes an election pursuant to Section 12.01(c); *provided* that the Covered Stockholder's obligation to purchase Overallotment Securities in accordance with its election shall be subject to the same conditions to which its obligations to purchase New Securities in the Public Offering, before giving effect to such Overallotment Securities, are subject.

If a Public Offering contemplated by Section 12.01(c) is not completed within five business days following the Notice of Issuance with respect thereto, then the Corporation will be required to comply again with the provisions of this Section 12.01(c) in order to avail itself of the benefits of Section 12.01(c). In case a Public Offering contemplated by this Section 12.01(c) is consummated, the Covered Stockholder shall be obligated to purchase the New Securities which it has elected to purchase hereunder at the closing of such Public Offering if and to the extent the conditions to the Covered Stockholder's obligations hereunder are met, on the same terms and subject to the same conditions that would be applicable to the underwriters in such offering; *provided, however,* that (i) such terms and conditions applicable to the Covered Stockholder shall not include any restrictions on the transferability of such New Securities (except pursuant to applicable laws and regulations) or any standstill, voting or other restrictions,, (ii) the Covered Stockholder shall not be required to make any representations and warranties except those that relate solely to the Covered Stockholder and (iii) the Covered Stockholder shall not be required to undertake any indemnity obligations.

Notwithstanding any other provision of this section, the Corporation may, in lieu of allowing the Covered Stockholder to participate in a Public Offering in fulfillment of its rights under this Section 12.01(c), offer instead to issue and sell to the Covered Stockholder up to a number of New Securities equal to the Covered Stockholder's Pro Rata Share of the New Securities issued in such Public Offering in a concurrent private placement on terms reasonably acceptable to both parties and at a price equal to the price at which the New Securities are sold to the public in the Public Offering.

Section 12.02. Approval of the Covered Stockholder Required for Certain Actions. In addition to any approval by the Board of Directors required by this Certificate of Incorporation, the Bylaws, applicable laws and regulations or Nasdaq Stock Market, the prior written approval of the Covered Stockholder shall be required in order for the Corporation to take, or the Board of Directors to approve, authorize or effect, any of the following (including by merger, consolidation or otherwise):

(a) the creation (by reclassification or otherwise) or issuance of any new class or series of shares of capital stock of the Corporation (or securities convertible into or exercisable for shares of capital stock of the Corporation) having rights, preferences or privileges senior to or on parity with the Common Stock;

(b) any action to repurchase, retire, redeem or otherwise acquire any equity securities (or securities convertible into or exchangeable for equity securities) of the Corporation or any subsidiary of the Corporation, pursuant to self-tender offers, stock repurchase programs, open market transactions, privately-negotiated purchases or similar transactions; *provided* that no consent of the Covered Stockholder pursuant to this section shall be required in connection with the repurchase, retirement, redemption or other acquisition by the Corporation of securities issued or issuable upon any exercise of options or vesting or exercise of any other equity-based award, in each case under the Corporation's equity incentive plans or any other plan or agreement approved by the Board of Directors, to pay the applicable exercise price or taxes associated with such awards;

(c) take any action to adopt, or propose to adopt, or maintain any shareholders' rights plan, "poison pill" or other similar plan or agreement, unless the Covered Stockholder is exempt from the provisions of such shareholders' rights plan, "poison pill" or other similar plan or agreement; or

(d) any authorization of, or entering into an agreement for, or the commitment to agree to take, any of the foregoing actions.

Section 12.03 Definitions. For purposes of this Article XII:

"Covered Stockholder" means a person that is the beneficial owner of 20% or more of the Corporation's outstanding Common Stock as reflected in the person's most recent filings under section 13 of the Securities Exchange Act of 1934, as amended, and that continues to be the beneficial owner of more than 20% of the Corporation's Common Stock immediately prior to the time of the transaction or event to which the Covered Stockholder is entitled to rights under this Article XII; provided that for a person to be considered a "Covered Stockholder," such person must send a written notice to the Corporation at its corporate offices, which notice must contain the number of shares of Common Stock beneficially owned by such person and the notice information, which must include a valid email address, at which such person may be reached for purposes of this Article XII.

"New Securities" means any capital stock of the Corporation, whether now authorized or not, and rights, options or warrants to purchase such capital stock, and securities of any type whatsoever (including convertible debt securities) that are, or may become, convertible into or exchangeable or exercisable for capital stock of the Corporation; *provided* that the term "New Securities" does not include (a) Common Stock or rights, options or warrants to acquire Common Stock of the Corporation issued to employees, consultants, officers or directors of the Corporation or any Subsidiary, or which have been reserved for issuance, pursuant to an employee stock option, stock purchase, stock bonus plan, or other similar compensation plan or arrangement approved by the Board of Directors, (b) securities of the Corporation issued to all then-existing stockholders in connection with any stock split, stock dividend, reclassification or recapitalization of the Corporation, (c) securities of the Corporation issued upon the conversion or exercise of exchangeable or convertible securities of the Corporation, including warrants and convertible notes, that are (i) outstanding as of the date of this Certificate of Incorporation of the Corporation or (ii) issued subsequently after receipt of the consent of the Covered Stockholder pursuant to Section 12.02, (d) securities of the Corporation issued as consideration in the acquisition of business or assets of another person, (e) Common Stock not otherwise contemplated by the foregoing clauses (a) through (d) issued in a given fiscal year pursuant to an "at the market" offering in an amount that does not exceed, in the aggregate, 2% of the outstanding Common Stock of the Corporation calculated as of the end of the preceding fiscal year, and (g) securities of the Corporation issued in connection with a transaction of the type described in Rule 145 under the Securities Act of 1933, as amended.

"Public Offering" means an underwritten public offering of New Securities that is registered under the Securities Act of 1933, as amended.

IN WITNESS WHEREOF, this Fifth Amended and Restated Certificate of Incorporation has been executed for and on behalf and in the name of the Corporation by its officers thereunto duly authorized on May 20, 2022.

LEXICON PHARMACEUTICALS, INC.

By: __

Lonnel Coats
Chief Executive Officer

Attest:

By: __

Brian T. Crum
Secretary

Exhibit 31.1

CERTIFICATIONS

I, Lonnel Coats, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2022

/s/ Lonnel Coats

Lonnel Coats

Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Jeffrey L. Wade, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 3, 2022

/s/ Jeffrey L. Wade

Jeffrey L. Wade

President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350, as adopted), Lonnel Coats, Principal Executive Officer of Lexicon Pharmaceuticals, Inc. ("Lexicon"), and Jeffrey L. Wade, Principal Financial Officer of Lexicon, each hereby certify that:

1. Lexicon's Quarterly Report on Form 10-Q for the period ended June 30, 2022, and to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Lexicon.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 3rd day of August, 2022.

By: /s/ Lonnel Coats
Lonnel Coats
Chief Executive Officer

By: /s/ Jeffrey L. Wade
Jeffrey L. Wade
President and Chief Financial Officer