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

FORM 8-K/A

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

March 17, 2023
Date of Report (Date of earliest event reported)

CalciMedica, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-39538	45-2120079
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

505 Coast Boulevard South, Suite 307 La Jolla, California	92037
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (858) 952-5500

Not Applicable
(Former name or former address, if changed since last report.)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	CALC	*

* The registrant's common stock began trading on the OTC Pink Marketplace on April 3, 2023 under the symbol "CALC."

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b–2 of the Securities Exchange Act of 1934 (§ 240.12b–2 of this chapter).

Emerging growth company ☒

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

Explanatory Note

As previously reported, on March 20, 2023, the Delaware corporation formerly known as “Graybug Vision, Inc.” completed its previously announced merger transaction in accordance with the terms and conditions of the Agreement and Plan of Merger and Reorganization, dated as of November 21, 2022, as amended on February 10, 2023 (the “Merger Agreement”), by and among Graybug Vision, Inc. (“Graybug”), Camaro Merger Sub, Inc., a wholly owned subsidiary of Graybug (“Merger Sub”), and CalciMedica, Inc. (“CalciMedica”), pursuant to which Merger Sub merged with and into CalciMedica, with CalciMedica surviving the merger as a wholly owned subsidiary of Graybug (the “Merger”). Additionally, on March 20, 2023, the Company changed its name from “Graybug Vision, Inc.” to “CalciMedica, Inc.” (the “Company”). This Amendment No. 1 on Form 8-K/A is being filed by the Company to amend the Current Report on Form 8-K filed on March 22, 2023 (the “Original Report”), solely to provide the disclosures required by Item 9.01 of Form 8-K that were not previously filed with the Original Report.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The financial statements and information required by this Item 9.01(a) and the notes related thereto are filed as Exhibit 99.1 to this Current Report on Form 8-K.

(b) Pro Forma Financial Information

The pro forma financial information required by this Item 9.01(b) and the notes related thereto are filed as Exhibit 99.2 to this Current Report on Form 8-K.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm.
99.1	Audited Financial Statements of CalciMedica, Inc. for the years ended December 31, 2022 and 2021.
99.2	Unaudited Pro Forma Combined Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Date: April 4, 2023	**CalciMedica, Inc.**	
	By:	/s/ A. Rachel Leheny, Ph.D.
	Name:	A. Rachel Leheny, Ph.D.
	Title:	Chief Executive Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-249033) pertaining to the 2020 Equity Incentive Plan, 2020 Employee Stock Purchase Plan and 2015 Stock Incentive Plan of CalciMedica, Inc. (formerly Graybug Vision, Inc.),

(2) Registration Statements (Forms S-8 Nos. 333-254522 and 333-263464) pertaining to the 2020 Equity Incentive Plan of CalciMedica, Inc. (formerly Graybug Vision, Inc.), and

(3) Registration Statement (Form S-8 No. 333-266980) pertaining to the Amended and Restated 2020 Equity Incentive Plan of CalciMedica, Inc. (formerly Graybug Vision, inc.);

of our report dated April 4, 2023, with respect to the financial statements of CalciMedica, Inc., included in this Current Report (Form 8K/A) of CalciMedica, Inc. (formerly Graybug Vision, inc.).

/s/ Ernst & Young LLP

San Diego, California
April 4, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of CalciMedica, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of CalciMedica, Inc. (the Company) as of December 31, 2022 and 2021, the related statements of operations and comprehensive loss, convertible preferred stock and stockholders’ deficit and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2008.

San Diego, California
April 4, 2023

CalciMedica, Inc.
Balance Sheets
(In thousands, except share and per share amounts)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,327	$ 4,761
Restricted cash	149	—
Prepaid expenses and other assets	254	170
Total current assets	1,730	4,931
Property and equipment, net	147	195
Right-of-use asset, net	48	191
Other assets	1,424	1,147
Total assets	**$ 3,349**	**$ 6,464**
Liabilities, convertible preferred stock, and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 2,866	$ 1,933
Accrued expenses	1,715	1,829
Other current liabilities	199	156
Total current liabilities	4,780	3,918
Long-term liabilities:		
Warrant liability	4,248	4,423
Convertible promissory notes	8,918	—
Other long term liabilities	—	39
Total liabilities	17,946	8,380
Commitments and contingencies (Note 9)		
Convertible preferred stock:		
Series A convertible preferred stock, $0.001 par value; 25,751,716 shares authorized, issued and outstanding at December 31, 2022 and December 31, 2021; liquidation preference $19,829 at December 31, 2022	19,107	19,107
Series B convertible preferred stock, $0.001 par value; 11,235,460 shares authorized and10,667,279 shares issued and outstanding at December 31, 2022 and December 31, 2021; liquidation preference $8,214 at December 31, 2022	8,224	8,224
Series C-1 convertible preferred stock, $0.001 par value; 8,016,886 shares authorized, issued and outstanding at December 31, 2022 and December 31, 2021; liquidation preference $4,650 at December 31, 2022	5,683	5,683
Series C-2 convertible preferred stock, $0.001 par value; 16,291,526 shares authorized and 13,504,959 issued and outstanding at December 31, 2022 and December 31, 2021; liquidation preference $10,399 at December 31, 2022	9,563	9,563
Series D convertible preferred stock, $0.001 par value; 88,875,077 shares authorized and 26,880,040 issued and outstanding at December 31, 2022 and December 31, 2021; liquidation preference $21,625 at December 31, 2022	19,494	19,494
Total convertible preferred stock	62,071	62,071
Stockholders' deficit		
Common stock, $0.001 par value; 197,730,086 authorized and 2,922,098 and 2,726,317 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	3	3
Additional paid-in capital	41,718	39,893
Accumulated deficit	(118,389)	(103,883)
Total stockholders' deficit	**(76,668)**	**(63,987)**
Total liabilities, convertible preferred stock and stockholders' deficit	**$ 3,349**	**$ 6,464**

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

CalciMedica, Inc.
Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Years Ended December 31, 2022	Years Ended December 31, 2021
Operating expenses:		
Research and development	$ 8,350	$ 16,477
General and administrative	5,843	5,061
Total operating expenses	14,193	21,538
Loss from operations	**(14,193)**	**(21,538)**
Other income (expense)		
Change in fair value of convertible promissory notes	(2,711)	—
Change in fair value of warrant liability	2,558	(1,964)
Interest on convertible promissory notes payable	(132)	—
Other	(28)	1
Total other income (expense), net	(313)	(1,963)
Net loss and comprehensive loss	**$ (14,506)**	**$ (23,501)**
Net loss per share, basic and diluted	**$ (5.08)**	**$ (8.65)**
Weighted-average shares of common stock outstanding, basic and diluted	2,855,745	2,716,050

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

CalciMedica, Inc.
Statements of Convertible Preferred Stock and Stockholders' Deficit
(In thousands, except share amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2020	**57,940,840**	**$42,577**	**2,682,570**	**$ 3**	**$ 37,773**	**$ (80,382)**	**$ (42,606)**
Issuance of Series D convertible preferred stock, net	26,880,040	19,494	—	—	—	—	**—**
Exercise of common stock options	—		43,747	—	8	—	**8**
Stock-based compensation	—	—	—	—	2,112	—	**2,112**
Net loss and comprehensive loss	—	—	—	—	—	(23,501)	**(23,501)**
Balance at December 31, 2021	**84,820,880**	**$62,071**	**2,726,317**	**$ 3**	**$ 39,893**	**$ (103,883)**	**$ (63,987)**
Issuance of common stock for services	**—**	**—**	39,528	—	8	—	**8**
Exercise of common stock options	**—**	**—**	156,253	—	18	—	**18**
Stock-based compensation	**—**	**—**	—	—	1,799	—	**1,799**
Net loss and comprehensive loss	**—**	**—**	—	—	—	(14,506)	**(14,506)**
Balance at December 31, 2022	**84,820,880**	**$62,071**	**2,922,098**	**$ 3**	**$ 41,718**	**$ (118,389)**	**$ (76,668)**

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

CalciMedica, Inc.
Statements of Cash Flows
(In thousands)

	Years ended December 30, 2022	2021
Cash flows from operating activities:		
Net loss	$(14,506)	$(23,501)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	52	42
Stock-based compensation	1,807	2,112
Change in fair value of warrant liability	(2,558)	1,964
Change in fair value of convertible promissory notes	2,711	—
Non-cash interest expense	132	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,530)	395
Accounts payable	933	(251)
Accrued expenses and other liabilities	1,202	(1,268)
Net cash used in operating activities	**(11,757)**	**(20,507)**
Cash flows from investing activities:		
Purchases of property and equipment	(4)	(211)
Net cash used in investing activities	**(4)**	**(211)**
Cash flows from financing activities:		
Proceeds from issuance of convertible preferred stock and warrants, net of issuance costs	—	21,316
Payment of initial public offering costs	—	(773)
Proceeds from issuance of common stock-exercise of options	18	8
Proceeds from issuance of convertible note payable	8,458	—
Net cash provided by financing activities	**8,476**	**20,551**
Net change in cash, cash equivalents and restricted cash	(3,285)	(167)
Cash, cash equivalents and restricted cash - beginning of period	4,761	4,928
Cash, cash equivalents and restricted cash – end of period	**$ 1,476**	**$ 4,761**
Supplemental disclosure of noncash investing and financing activities:		
Costs incurred in connection with reverse merger included in accounts payable and accrued expenses	**$ 1,313**	**$ —**
Costs incurred in connection with initial public offering included in accounts payable and accrued expenses	**$ —**	**$ 339**
Preferred stock issuance costs included in accounts payable and accrued expenses	**$ —**	**$ 17**
Purchase of property and equipment included in accounts payable	**$ —**	**$ 58**

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

Notes to Financial Statements

1. Organization

Description of Business

CalciMedica, Inc. (“CalciMedica” or the “Company”) was incorporated in the state of Delaware in October 2006 and has its principal operations in San Diego, California. The Company is a clinical-stage biopharmaceutical company focused on developing therapeutics that treat serious illnesses driven by inflammatory processes and direct cellular damage.

Reverse Merger Transaction

On March 20, 2023, Graybug Vision, Inc. (“Graybug”), a Delaware corporation, completed a merger transaction in accordance with the terms and conditions of the Agreement and Plan of Merger and Reorganization, dated as of November 21, 2022, as amended on February 10, 2023 (the “Merger Agreement”), by and among Graybug, Camaro Merger Sub, Inc., a wholly owned subsidiary of Graybug (“Merger Sub”), and CalciMedica, pursuant to which Merger Sub merged with and into CalciMedica, with CalciMedica surviving the Merger as a wholly owned subsidiary of Graybug (the “Merger”). Additionally, the Company changed its name from “Graybug Vision, Inc.” to “CalciMedica, Inc.”

At the effective time of the Merger, each outstanding share of CalciMedica capital stock (after giving effect to the automatic conversion of all shares of CalciMedica preferred stock into shares of CalciMedica common stock (“Preferred Stock Conversion”), the automatic exercise of certain CalciMedica warrants to purchase shares of CalciMedica common stock in accordance with their terms (the “CalciMedica warrant exercises”), the conversion of CalciMedica convertible promissory notes, into CalciMedica common stock (“convertible promissory note conversion”) and the closing of the private placement (as discussed in Note 7), was converted into the right to receive 0.0288 shares of Graybug common stock, which resulted in the issuance by Graybug of an aggregate of 3,946,538 shares of Graybug common stock to the stockholders of CalciMedica in a transaction exempt from registration under the Securities Act of 1933 (the “Securities Act”). In addition, Graybug assumed the CalciMedica 2006 Stock Plan and each outstanding and unexercised option to purchase CalciMedica common stock and each outstanding and unexercised warrant to purchase CalciMedica common stock (excluding the warrants which were automatically exercised pursuant to the CalciMedica warrant exercises) which became options and warrants to purchase shares of Graybug common stock. Immediately following the consummation of the Merger prior CalciMedica and Graybug stockholders collectively own approximately 72% and 28% of the Company, respectively, on a fully diluted basis.

Liquidity and Going Concern

The accompanying financial statements have been prepared on a basis which assumes the Company is a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from any uncertainty related to the Company’s ability to continue as a going concern. Such adjustments could be material. The Company has experienced net losses and negative cash flows from operating activities since its inception. The Company has an accumulated deficit of $118.4 million as of December 31, 2022 and a net loss of $14.5 million for the year then ended. Substantially all of Company’s operating losses resulted from expenses incurred in connection with its research and development programs and from general and administrative costs associated with its operations.

The Company expects to incur significant expenses and increasing operating losses for the foreseeable future as the Company initiates and continues the preclinical and clinical development of its product candidates and adds personnel necessary to operate as a company with an advanced clinical pipeline of product candidates. In addition, after completion of the Merger, operating as a SEC registrant will involve the hiring of additional financial and other personnel, upgrading financial information systems, and incurring costs associated with operating as a public company. The Company expects that its operating losses will fluctuate significantly from quarter-to-quarter and year-to-year due to timing of clinical development programs.

From inception to December 31, 2022, the Company has completed financings from the sale of preferred and common stock for total gross proceeds of $101.4 million and has issued convertible debt for gross proceeds of $8.6 million. As of December 31, 2022, the Company had cash and cash equivalents of approximately $1.3 million. In connection with the Merger, the Company completed a private placement of common stock for gross proceeds of $10.3 million and received approximately $23.9 million from the Merger in March 2023. With these funds, the Company expects to be able to fund its operations beyond 12 months from the date of the issuance of the accompanying financial statements.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of the financial statements requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities and expenses and disclosure in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to accrued expenses and the valuation of warrants, equity and debt instruments. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may materially differ from these estimates and assumptions.

Concentration of Credit Risk and other Risks and Uncertainties

Financial instruments, which potentially subject the Company to concentration of risk, consist principally of cash and cash equivalents. The Company's cash is deposited in an account with a major financial institution below the federally insured limit. The Company is exposed to credit risk in the event of default by the financial institutions holding its cash and cash equivalents. The Company's cash was held by Silicon Valley Bank ("SVB") but has subsequently transferred its cash to another depository institution. The Company has no off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts or other hedging arrangements.

The Company is dependent on contract manufacturing organizations ("CMO") to supply products for research and development of its product candidates, including preclinical and clinical studies, and for commercialization of its product candidates, if approved. The Company's development programs could be adversely affected by any significant interruption in CMO's operations or by a significant interruption in the supply of active pharmaceutical ingredients and other components.

Products developed by the Company require approval from the U.S. Food and Drug Administration ("FDA") or other international regulatory agencies prior to commercial sales. There can be no assurance the Company's product candidates will receive the necessary approvals. If the Company is denied approvals, approvals are delayed, or it was unable to maintain approvals received, such events could have a materially adverse impact on the Company.

Cash and Cash Equivalents

Cash and cash equivalents are held in two accounts at one bank. The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Segment Information

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The financial information is regularly reviewed by the chief operating decision maker ("CODM"), in deciding how to allocate resources. The Company's CODM is its chief executive officer. The Company's singular focus is on developing highly selective calcium release-activated calcium ("CRAC") channel inhibitors to improve outcomes for patients with acute inflammatory indications. No significant revenue has been generated since inception, and all tangible assets are held in the United States.

Fair Value Option

As permitted under Accounting Standards Codification ("ASC") 825, *Financial Instruments*, the Company has elected the fair value option to account for its convertible promissory notes due to certain embedded features within the notes. The Company recognizes the convertible promissory notes at fair value with changes in fair value recognized in the statement of operations located on the change in fair value of convertible promissory notes line item. Changes in fair value as a result of the Company's own credit risk is reflected in other income (expense) on the Statements of Operations. As a result of applying the fair value option, direct costs and fees related to the convertible promissory notes were expensed as incurred and not deferred.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets (generally three to five years) and consist of manufacturing and lab equipment, furniture, computers and phones. Repairs and maintenance costs are charged to expense as incurred.

Leases

The Company leases office space and manufacturing equipment, with original lease terms of 12 to 30 months. The office lease term has a six month term and does not have a right-of-use asset or lease liability recorded. The Company entered into a lease in November 2020 for manufacturing equipment utilized in the production of development candidates. The lease is accounted for under ASC 842, *Leases*, and has been classified as an operating lease. The Company records rent expense on a straight-line basis over the term of the lease.

Long-lived Assets

Long-lived assets consist primarily of property and equipment. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset is not recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value of the assets. Fair value would be assessed using discounted cash flows or other appropriate measures of fair value. The Company did not recognize any impairment losses for the years ended December 31, 2022 and 2021.

Research and Development Costs

Research and development costs consist primarily of salaries, payroll taxes, employee benefits, and stock-based compensation for those individuals involved in ongoing research and development efforts, as well as fees paid to consultants, external research fees, license fees paid to third parties for use of their intellectual property, laboratory supplies, and development of compound materials, associated overhead expenses, and facilities and depreciation costs. Nonrefundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. All research and development costs are expensed as incurred.

The Company estimates preclinical studies and clinical trial expenses based on the services performed pursuant to contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on the Company’s behalf. In accruing service fees, the Company estimates the time period over which services will be performed and the level of effort to be expended in each period. These estimates are based on communications with the third-party service providers, the Company’s estimates of accrued expenses and on information available at each balance sheet date. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the accrual accordingly. The estimates are trued up to reflect the best information available at the time of the financial statement issuance. Although the Company does not expect its estimates to be materially different from amounts actually incurred, the Company’s estimate of the status and timing of services performed relative to the actual status and timing of services performed may vary.

General and Administrative Costs

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation, related to our executive, finance, business development, legal, human resources and support functions, including professional fees for auditing, tax, consulting and patent-related services, rent and utilities and insurance.

Patent Costs

Costs related to filing and pursuing patent applications are expensed as incurred since recoverability of such expenditures is uncertain.

Deferred Offering Costs

The Company capitalizes costs that are directly associated with equity financings until such financings are consummated at which time such costs are recorded against the gross proceeds of the offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the statements of operations and comprehensive loss. The Company had deferred offering costs capitalized as of December 31, 2022 for the Merger of $1.4 million and $1.1 million for a proposed initial public offering (“IPO”) as of December 31, 2021. In September 2022, the Company terminated its plan for an IPO and expensed $1.5 million to general and administrative expense.

Stock-based Compensation

Stock-based compensation expense represents the cost of the grant date fair value of employee stock options recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis. As there is no active market for its common stock, the Company estimates the fair value of common stock on the date of grant based on then current facts and circumstances. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model ("Black Scholes"). Forfeitures are recognized as a reduction of stock-based compensation expense as they occur. Equity-based compensation expense is classified in the statements of operations in the same manner in which the award recipients' payroll costs are classified or in which the award recipients' service payments are classified. The fair value of each stock option grant is estimated on the date of grant using Black Scholes. The following summarizes the inputs used:

Fair Value of Common Stock

There has been no public market of the Company's common stock. The fair value of the shares of common stock underlying the Company's share-based awards was estimated on each grant date by the Company's board of directors. To determine the fair value of the Company's common stock underlying option grants, the board of directors considered, among other things, input from management and valuations of the Company's common stock prepared by third-party valuation firms. In connection with the preparation of the financial statements for the years ended December 31, 2022 and 2021, the Company performed a retrospective review of the fair value of its common stock related to the current events available. Based on this review, the Company recorded stock compensation as reflected in the financial statements.

Risk-free interest rate

The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities similar to the expected term of the awards.

Expected volatility

Since the Company does not have publicly traded equity securities, the volatility of the options has been estimated using peer group volatility information.

Expected term

The Company uses the simplified method to calculate the expected term for all grants during all periods, which is based on the midpoint between the vesting date and the end of the contractual term. The Company does not have sufficient data to calculate historical term in another manner.

Expected dividend yield

The Company has never paid cash dividends and has no present intention to pay cash dividends.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability.

Comprehensive Loss

Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive loss was the same as its reported net loss for all periods presented.

Related Party Transactions

The Company's board of directors reviews and approves transactions with directors, officers and holders of 5% or more of its voting securities and their affiliates, each a related party. The material facts as to the related party's relationship or interest in the transaction are disclosed to its board of directors prior to their consideration of such transaction, and the transaction is not considered approved by its board of directors unless a majority of the directors who are not interested in the transaction approve the transaction.

Beginning in November 2020 the Company has paid consulting fees monthly to a consulting firm affiliated with the Company's interim chief financial officer in connection with its consulting agreement. The Company recorded expense of $223,000 and $203,000 during the years ended December 31, 2022 and 2021, respectively.

Warrant Liability

The Company has freestanding warrants to purchase shares of its convertible preferred stock ("Convertible Preferred"). The fair value of these warrants is classified as a long-term liability in the accompanying balance sheets since the underlying Convertible Preferred has been classified as temporary equity instead of in stockholders' deficit in accordance with accounting guidance for the classification and measurement of potentially redeemable securities.

The Company assesses its warrants for common stock to determine equity or liability treatment. In accordance with ASC 480, *Distinguishing Liabilities from Equity*, instruments that embody a conditional obligation to issue a variable number of the issuer's equity shares and at inception, the monetary value of the obligation is based solely or predominantly on a fixed value known at inception, requires liability classification. The Company determined its Convertible Promissory Note Warrants are liability classified instruments because the terms of the instrument embody an obligation to issue a variable number of shares for a value that is predominately fixed.

Net Loss Per Share

Net loss is equivalent to net loss attributable to common stockholders for all periods presented. Basic net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. The Company calculates diluted net loss per share using the more dilutive of the (1) treasury stock method, if-converted method, or contingently issuable share method, as applicable, or (2) the two-class method. For warrants, the calculation of diluted net loss per share requires that, to the extent the average fair value of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to net loss per share for the period, adjustments to net loss used in the calculation are required to remove the change in fair value of the warrants for the period.

In all periods presented, the Company's outstanding preferred stock, stock options, preferred, common and convertible promissory note warrants and outstanding convertible promissory notes were excluded from the calculation of loss per share because the effect would be antidilutive. Accordingly, in periods in which the Company reports a net loss, diluted net loss per share is the same as basic net loss per share.

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The new guidance, among other things, simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments, and amends existing earnings-per-share ("EPS") guidance by requiring that an entity use the if-converted method when calculating diluted EPS for convertible instruments. The Company has adopted the new guidance effective January 1, 2022 and the adoption did not have an impact on its financial position, results of operations or related disclosures.

3. Fair Value

The Company's liabilities which are measured at fair value include warrants for preferred stock ("Preferred Warrants"), convertible promissory notes, and warrants for common stock related to the convertible promissory notes ("Convertible Promissory Note Warrants"). All liabilities recorded at fair value are revalued at each measurement period.

The Company elected the fair value option for the convertible promissory notes and estimated the fair value based on a discounted cash flow analysis, a form of the Income Approach. Several different settlement scenarios were considered, and probability weighted to arrive at the final valuation. Increases or decreases in the fair value of the convertible promissory notes can result from updates to assumptions such as the expected timing or probability of the different settlement scenarios, or changes in discount rates. Judgment is used in determining these assumptions as of the initial valuation date and at each subsequent reporting period. Updates to assumptions could have a significant impact on our results of operations in any given period.

The Preferred Warrants are valued using the Hybrid Method ("Hybrid Method"). This method incorporates the Company's near-term liquidity event prospects utilized in conjunction with the Option Pricing Method ("OPM") framework, representing an alternative exit, to calculate an implied overall value of the Company. This value is, in turn, allocated to the Company's various equity classes.

The Convertible Promissory Note Warrants are valued using a series of Monte Carlo simulations and Black-Scholes to determine the fair value, probability weighted for difference scenarios. The Monte Carlo simulations determined the liquidity event price. Black-Scholes is used with the remaining contractual term of the warrants after the respective event date. The warrant value is discounted from the respective event date using the risk-free rate. See further discussion in Note 6.

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Balance at December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liability				
Convertible promissory notes	$ 8,918	$ —	$ —	$ 8,918
Preferred Warrants liability	1,871	—	—	1,871
Convertible Promissory Note Warrants liability	2,377	—	—	2,377
Total liabilities measured at fair value on a recurring basis	$ 13,166	$ —	$ —	$ 13,166

		Fair Value Measurements at Reporting Date Using		
	Balance at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liability				
Preferred Warrants liability	$ 4,423	$ —	$ —	$ 4,423

The following provides a reconciliation for all liabilities measured at fair value using Level 3 inputs for the year ended December 31, 2022 (in thousands):

Preferred Warrants liability	
Balance at December 31, 2021	$ 4,423
Change in Fair Value of Preferred Warrants	(2,552)
Balance at December 31, 2022	$ 1,871
Convertible Promissory Note Warrants liability	
Balance at December 31, 2021	$ —
Issuance of Convertible Promissory Note Warrants	2,383
Change in Fair Value of Convertible Promissory Note Warrants	(6)
Balance at December 31, 2022	$ 2,377
Convertible Promissory Note liability	
Balance at December 31, 2021	$ —
Issuance of convertible promissory notes	6,207
Change in Fair Value of convertible promissory notes	2,711
Balance at December 31, 2022	$ 8,918

The changes in fair value of Preferred Warrants, convertible promissory notes and Convertible Promissory Note Warrants are recognized in other income (expense) in the accompanying statements of operations.

4. Property and Equipment

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

	December 31, 2022	December 31, 2021
Computer and telephones	$ 22	$ 22
Manufacturing and laboratory equipment	212	209
Furniture and equipment	11	10
Total property and equipment	245	241
Less accumulated depreciation	(98)	(46)
Property and equipment, net	$ 147	$ 195

Depreciation expense was $52,000 and $42,000 for the years ended December 31, 2022 and 2021, respectively.

5. Balance Sheet Details

Other long-term assets consist of the following (in thousands):

	December 31, 2022	December 31, 2021
Deferred offering costs	$ 1,397	$ 1,112
Deposits	27	35
Total	$ 1,424	$ 1,147

Accrued expenses consist of the following (in thousands):

	December 31, 2022	December 31, 2021
Accrued payroll and other employee benefits	$ 36	$ 634
Accrued clinical trial costs	1,143	691
Accrued other	536	504
Total accrued expenses	$ 1,715	$ 1,829

6. Convertible Promissory Notes and Convertible Promissory Note Warrants

In April 2022, the Board of Directors approved a convertible promissory note financing pursuant to which it may issue and sell up to $5.0 million of notes convertible into shares of common stock (the “convertible promissory notes”) and Convertible Promissory Note Warrants. The funding and issuance of the convertible promissory notes for gross proceeds of $3.3 million and Convertible Promissory Note Warrants to purchase shares of the Company’s common stock at an exercise price of $0.01 per share have taken place in multiple closings through October 2022.

In November 2022, the Board of Directors amended the convertible promissory notes and Convertible Promissory Note Warrants to issue up to an additional $3.5 million (for a total of up to $8.5 million). In November 2022, the Company issued additional convertible promissory notes for gross proceeds of $5.2 million and Convertible Promissory Note Warrants to purchase shares of the Company’s common stock at an exercise price of $0.01 per share. The convertible promissory notes accrue 6% simple interest and shall be due and payable on or after December 31, 2023 or a later date as agreed upon request of the holders of at least 80% of the outstanding principal amount of the convertible promissory notes. All outstanding convertible promissory notes and unpaid and accrued interest shall automatically convert in the event the Company consummates a “de-SPAC” business combination or a reverse merger transaction with a publicly traded company (“Public Combination”). The convertible promissory notes will convert into shares of common stock at a conversion or exchange price based on the equivalent valuation of the lower of (i) the cash price paid per share by the investors purchasing shares in the publicly traded company in connection with the Public Combination multiplied by 0.85 or (ii) the cash price paid per share by the investors purchasing shares of the Company’s common stock in connection with the Public Combination multiplied by 0.85.

The holder of the Convertible Promissory Note Warrants has the right to purchase up to a number of shares of the Company's common stock equal to (i) 15% Warrant Coverage of the principal amount of the convertible promissory note purchased by such holder concurrently therewith, divided by (ii) the cash price paid per share by the investors in the qualified financing or IPO, as applicable, or in the case of a Public Combination, the equivalent valuation of the lower of the cash price per share by the investors purchasing shares in the publicly traded company in connection with such Public Combination or the cash price per shares by the investors purchasing shares of the Company's common stock in connection with such Public Combination; provided, however, that any holder that purchases convertible promissory notes in excess of the holder's pro rata commitment (as defined in the convertible promissory note) shall receive a 40% Warrant Coverage that is in excess of its pro rata commitment. In the case of a Public Combination, the Warrants shall automatically be exercised. The Company issued $2.7 million of Convertible Promissory Note Warrants based on the principal amount of each convertible promissory note.

The Convertible Promissory Note Warrants are not deemed equity and are classified as a liability in the Company's balance sheets. The Convertible Promissory Note Warrants are valued using a series of Monte Carlo simulations and Black-Scholes to determine the fair value, probability weighted for difference scenarios. The Monte Carlo simulations determined the liquidity event price. The Black-Scholes warrant value is discounted from the respective event date using the risk-free rate. The Black-Scholes valuation included standard assumptions such as exercise price, expected term, risk-free rate, volatility, and a dividend yield of zero. The Company estimated the initial fair value of the Convertible Promissory Note Warrants utilizing the following range of assumptions for the difference scenarios: exercise price ($0.01), risk-free rate ($3.02% - 4.20%), volatility (63% - 67%), and expected term (4.1 - 4.6 years).

The following summarizes the allocation of the convertible promissory notes and Convertible Promissory Note Warrants:

	December 31, 2022
Convertible promissory note fair value	$ 8,918
Convertible Promissory Note Warrants	2,377
Total fair value of convertible promissory notes	$ 11,295

7. Convertible Preferred Stock, Common Stock and Stockholders' Equity

Convertible Preferred Stock

The Company's convertible preferred stock consists of Series A preferred stock ("Series A preferred"), Series B preferred stock ("Series B preferred"), Series C-1 preferred stock ("Series C-1 preferred"), Series C-2 preferred stock ("Series C-2 preferred") and Series D preferred stock ("Series D preferred").

The following table summarizes outstanding convertible preferred stock as of December 31, 2022 (in thousands, except share and per share amounts):

Series	Shares Authorized	Shares Issued and Outstanding	Carrying Value	Original Issue Price, per share	Liquidation Preference
Series A preferred	25,751,716	25,751,716	$19,107	$ 0.77	$ 19,829
Series B preferred	11,235,460	10,667,279	8,224	0.77	8,214
Series C-1 preferred	8,016,886	8,016,886	5,683	0.58	4,650
Series C-2 preferred	16,291,526	13,504,959	9,563	0.77	10,399
Series D preferred	88,875,077	26,880,040	19,494	0.8045	21,625
Total Convertible Preferred Stock	150,170,665	84,820,880	$62,071		$ 64,717

In February 2021, the Company entered into an agreement for the issuance of up to 88,875,077 shares of Series D preferred at $0.8045 per share. The funding of the Series D preferred and warrants took place in two closings inclusive of the initial closing. The First Tranche closed in February and the Second Tranche closed in June and July 2021. The Company issued a total 26,880,040 shares of Series D preferred and warrants to purchase 7,840,257 shares of Series D preferred (the "Series D Warrant") for gross proceeds of $21.6 million. The Series D Warrant is recorded as a warrant liability in the Company's balance sheet. The proceeds from the Series D preferred issuance were reduced by the fair value of the Series D Warrant. The fair value of the Series D Warrant was determined to be $1.8 million using the Hybrid Method, which allocates the various series of preferred and common stock based on their respective seniority, liquidation preferences or conversion rates, whichever is greatest.

Classification of Convertible Preferred Stock

Convertible preferred stock is classified outside of stockholders' deficit on the accompanying balance sheets because such shares have liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company and would require the redemption of the then outstanding shares of convertible preferred stock. Convertible preferred stock is not redeemable, except in the event of a deemed liquidation. Because the occurrence of a deemed liquidation event is not currently probable, the carrying values of the convertible preferred stock are not being accreted to their redemption values. Subsequent adjustments to the carrying values of the convertible preferred stock would be made only when a deemed liquidation event becomes probable.

Dividends

The holders of convertible preferred stock are entitled to receive noncumulative dividends at a rate of $0.0464 for Series C-1 preferred, $0.0616 per share per annum for the Series A preferred, Series B preferred and Series C-2 preferred and $0.0644 for Series D preferred. Dividends are payable when and if declared by the Board of Directors. As of December 31, 2022, no dividends have been declared. The dividends are payable in preference and in priority to dividends on common stock.

Liquidation Preferences

Holders of the convertible preferred stock are entitled to receive liquidation preferences at the rate of $0.58 for Series C-1 preferred and $0.77 per share for Series A preferred, Series B preferred, and Series C-2 preferred and $0.8045 for Series D preferred. The aggregate distribution made with respect to any share of convertible preferred stock shall not exceed an amount equal to two times the liquidation preference for that share of convertible preferred stock plus any declared but unpaid dividends. Liquidation payments to the holders of Series D preferred, Series C-1 preferred and Series C-2 preferred have priority and are made in preference to any payments to the holders of Series A preferred, Series B preferred and common stock. Liquidation payments to the holders of Series A preferred and Series B preferred have priority and are made in preference to any payments to holders of common stock.

Conversion Provisions

Shares of convertible preferred stock are convertible into an equal number of shares of common stock, at the option of the holder, subject to certain anti-dilution adjustments. Each share of convertible preferred stock is automatically converted into common stock upon (i) the sale of common stock pursuant to a registration statement under the Securities Act of 1933, as amended, in which the per share price is at least $2.4135 (as adjusted) and the gross cash proceeds are at least $50 million or (ii) the affirmative vote of more than 50% of the holders of the then outstanding convertible preferred stock. As discussed in Note 13, these shares were converted into common stock in conjunction with the Merger in March 2023.

Voting Rights

Holders are entitled to one vote for each share of common stock into which such convertible preferred stock could then be converted; and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock.

Private Placement of Common Stock

In connection with the Merger Agreement, on November 21, 2022, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with certain investors, pursuant to which such investors agreed to purchase shares of the Company's common stock to be issued and sold by the Company pursuant to a private placement to be consummated immediately prior to the closing of the Merger, for an aggregate purchase price of $10.3 million, subject to and in accordance with the Securities Purchase Agreement (the "private placement"). The Securities Purchase Agreement was contingent upon a successful merger closing and occurred immediately prior to the closing of the Merger. The Company sold shares of common stock with a par value of $0.001 at a purchase price equal to the Company valuation divided by the Company outstanding shares immediately prior to the effective time of the Merger. As discussed in Note 13, the Company issued such shares in March 2023 immediately prior to the closing of the Merger.

Preferred and Common Stock Warrants

In connection with the issuance of Convertible Notes in 2016, 568,181 warrants to purchase Series B preferred were issued at an exercise price of $0.77 per share (the "Series B Warrants"). The Series B Warrants are exercisable at any time after February 28, 2017, through the earliest to occur of ten years after the issue date or prior to the date of sale of common stock in an IPO or a deemed liquidation event. These Series B Warrants are accounted for as a liability and had a fair value of $22,000 and $199,000 at December 31, 2022 and December 31, 2021, respectively.

In connection with the issuance of Series C-2 preferred in May 2020, the Company issued the Series C-2 Warrant, which is exercisable for 2,786,567 shares of Series C-2 preferred at an exercise price of $0.77 per share. The Series C-2 Warrant is exercisable at any time after May 20, 2020, through the earliest to occur of ten years after the issue date or prior to the date of a deemed liquidation, public combination or an IPO. In the event of a deemed liquidation, public combination or an IPO, the entire 2,786,567 shares of Series C-2 preferred will automatically be issued by the Company in exchange for the cancellation of the Series C-2 Warrant, for no additional consideration. The Series C-2 Warrant is accounted for as a liability and had a fair value of $1.6 million and $1.5 million at December 31, 2022 and December 31, 2021, respectively.

In connection with the issuance of Series D preferred in 2021, the Company issued warrants to purchase 8,063,998 shares of Series D preferred with an exercise price of $0.8045 per share. The Series D Warrants are exercisable at any time after the date of issuance through the earliest to occur of five years after the issue date or prior to the date of sale of common stock in an IPO or a deemed liquidation. The Series D Warrants are accounted for as a liability and had a fair value of $0.3 million and $2.7 million at December 31, 2022 and December 31, 2021, respectively.

In November 2020, the Company granted a warrant to purchase 400,000 shares of common stock to a consulting firm affiliated with its interim chief financial officer in connection with its consulting agreement. The warrant has a 10-year term, an exercise price of $0.19, and vests ratably over 24 months commencing on the effective date. At the date of issuance, the fair value of the warrant was determined to be $120,000, utilizing Black Scholes with the following assumptions: expected term of ten years, risk-free rate of 0.96%, volatility of 80.0% and a dividend yield of zero, which has been recognized as general and administrative expense over the vesting period. The warrant is currently classified as equity and the Company expensed $50,000 and $60,000 to general and administrative expense related to this warrant for the years ended December 31, 2022 and 2021, respectively.

In October 2022, the Company granted warrants to certain officers and directors to purchase 496,970 shares of common stock. The warrants have a 10-year term, an exercise price of $0.30, and vest ratably over 12 and 48 months. At the date of issuance, the fair value of the warrants collectively was $125,000 and was determined utilizing Black-Scholes and will be recognized as general and administrative expense over the vesting periods. Assumptions used in the valuation were as follows: expected term of ten years, risk free rate of 4.10%, volatility of 82% and a dividend yield of zero. The warrants are classified as equity and the Company expensed $33,000 to general and administrative expense in the year ended December 31, 2022.

The following table summarizes outstanding warrants as of December 31, 2022:

	Total Warrants	Weighted Average Exercise Price
Common stock warrants	896,970	$ 0.25
Series B Warrants	568,181	0.77
Series C-2 Warrants	2,786,567	0.77
Series D Warrants	8,063,998	0.80
Total	12,315,716	$ 0.75

8. Stock Compensation Plan

Stock Options

The Company adopted an equity incentive plan in 2006 ("2006 Plan") that provides for the issuance of common stock to employees, non-employee directors, and consultants. Recipients of incentive stock options are eligible to purchase common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The 2006 Plan provides for the grant of incentive stock options, non-statutory stock options, and stock purchase rights. The maximum contractual term of options granted under the 2006 Plan is ten years. The options generally vest 25% on the first anniversary of the grant date, with the balance vesting ratably over the following 36 months.

Amendment to 2006 Plan and Grant of Stock Option Awards

On December 6, 2022, the Board of Directors approved an amendment to the 2006 Plan to increase the cumulative number of shares of the Company's common stock reserved for issuance there under by 6,258,541 shares and also approved the grant of stock options to purchase 6,258,541 shares of common stock under the 2006 Plan (the "Closing Options"). The grant of the Closing Options will be effective on and are conditioned upon the closing of the private placement. The Closing Options will have an exercise price equal to the fair market value of common stock as of the grant date, which will be the purchase price paid in the private placement. The Closing Options will vest monthly over four years with certain Closing Options subject to accelerated vesting upon a change of control. All Closing Options will have a term of ten years. In March 2023, the Company issued options to purchase 6,258,541 shares of common stock at an exercise price of $0.4994 per share.

As of December 31, 2022, 1,321,085 options remain available for future grant under the 2006 Plan.

The following table summarizes stock option transactions for the 2006 Plan:

	Total Options	Weighted average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	24,431,181	$ 0.19	8.08	$ 10,509
Granted	1,595,704	0.38	—	—
Exercised	(156,253)	0.13	—	—
Forfeited	(192,000)	0.11	—	—
Outstanding at December 31, 2022	25,678,632	$ 0.20	7.36	$ 8,903
Vested and exercisable at December 31, 2022	19,800,563	$ 0.19	7.31	$ 7,153

The total intrinsic value of options exercised during the year ended December 31, 2022 was $68,000. The weighted-average fair value of options granted during the years ended December 31, 2022 and 2021 was $0.37 and $0.31 per share, respectively. The total fair value of shares vested was $1.7 million and $2.5 million for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, stock-based compensation not yet recognized is $1.7 million, which is expected to be recognized over a weighted-average period of 1.9 years.

The following are the ranges of underlying assumptions used in Black Scholes to determine the fair value of stock option grants for 2022 and 2021 were as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Risk free interest rate	2.80%-3.28%	0.43%-1.34%
Expected volatility	82%	76%-83%
Expected term (years)	5.00-6.25	5.00-6.25
Expected dividend yield	0%	0%

Stock-based Compensation Expense

Stock-based compensation expense for all stock awards recognized in the accompanying statements of operations and comprehensive loss and statements of convertible preferred stock and stockholders' deficit are as follows (in thousands):

	Years Ended December 31,	
	2022	2021
Statements of operations and comprehensive loss		
Research and development	$ 499	$ 441
General and administrative	902	1,104
Total	1,401	1,545
Statements of convertible preferred stock and stockholders' deficit		
Issuance of fully vested options as payment for accrued employee compensation	406	567
Total stock-based compensation	$ 1,807	$ 2,112

As of December 31, 2020, the Company had accrued bonuses of $567,000 payable in cash related to services performed in 2020. In April 2021, the Board of Directors determined to satisfy this payable by issuing options to purchase shares of common stock. The employees were issued fully vested stock options to purchase common stock at an exercise price of $0.23 per share and a stock option fair value of $0.28 per share. The total fair value of the stock options was $802,000, which was recorded to equity in 2021. The Company expensed $235,000 as stock compensation expense in the year ended December 31, 2021, which represents the difference between the amount accrued as of December 31, 2020 and the fair value of stock options.

In August 2022, the Board of Directors determined to satisfy $830,000 of employee compensation accrued by issuing options to purchase shares of common stock. The employees were issued stock options to purchase common stock at an exercise price of $0.30 per share and a stock option fair value of $0.35 per share, all of which vested in 2022. The total fair value of these options at the date of grant is $406,000.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following at December 31, 2022:

Conversion of convertible preferred stock	84,820,880
Preferred stock warrants	11,418,746
Common stock warrants	896,970
Stock options issued and outstanding	25,678,632
Shares available for issuance under the 2006 Plan	1,321,085
	124,136,313

9. Commitments and Contingencies

Leases

In November 2020, the Company entered into a lease for manufacturing equipment utilized in the production of development candidates. The lease is accounted for as an operating lease. The Company also has an operating lease for office space in La Jolla, California. In August 2022, an extension was executed for a month-to-month term exclusively for laboratory space and therefore qualifies for the short-term lease exception. Base rent for this lease is $1,000 monthly.

Rent expense for the years ended December 31, 2022 and 2021 was $221,000 and $256,000, respectively, which is included in operating expenses. The lease obligation is included in other current and long-term liabilities in the Company's balance sheet.

Future lease payments under noncancelable leases are as follows at December 31, 2022 (in thousands):

Total 2023 lease payments	$	55
Less: imputed interest		1
Present value of lease obligations	$	54

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues liabilities for such matters when future expenditures are probable and such expenditures can be reasonably estimated. The Company is not currently involved with, and does not know of any, pending or threatened litigation against the Company or any of its officers.

10. Net Loss Per Share

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

	Years ended December 31,	
	2022	2021
Numerator:		
Net loss and comprehensive loss	$ (14,506)	$ (23,501)
Denominator:		
Weighted average common stock outstanding, basic and diluted	2,855,745	2,716,050
Net loss per share, basic and diluted	$ (5.08)	$ (8.65)

Common stock equivalents from potentially dilutive securities that are not included in the calculation of diluted net loss per share, because to do so would be anti-dilutive, are as follows:

	Years ended December 31,	
	2022	2021
Convertible preferred stock	84,820,880	84,820,880
Convertible preferred warrants	11,418,746	11,418,746
Common stock warrants	896,970	400,000
Stock options	25,678,632	24,431,181
Total	122,815,228	121,070,807

The Convertible Promissory Note Warrants are not included in the calculation of weighted average shares outstanding at this time because they are contingently exercisable, and all necessary conditions have not been satisfied as of the end of the period.

For the year ended December 31, 2022, shares of common stock issuable upon conversion of the Company's outstanding convertible promissory notes have been excluded from the computation of diluted weighted shares outstanding as the number of shares issuable is not determinable at this time.

11. Employee Benefits

In January 2007, the Company adopted a defined contribution 401(k) plan for substantially all employees. Contributions made by the Company to the 401(k) plan were immaterial for the years ended December 31, 2022 and 2021, respectively.

12. Income Taxes

The effective tax rate of the Company's provision (benefit) for income taxes differs from the federal statutory rate as follows (in thousands):

	Years ended December 31,	
	2022	2021
Tax computed at federal statutory rate	$ (3,047)	$ (4,935)
State tax, net of federal tax benefit	(744)	(644)
Permanent differences	186	1,029
Research and development tax credits, net of uncertain positions	290	(365)
Valuation allowance	3,315	4,915
Income tax expense	$ —	$ —

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards. Significant components of deferred tax assets (liabilities) at December 31 are as follows (in thousands):

	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	$ 15,839	$ 13,550
Intangible assets	6,407	5,949
Accrued and deferred expenses	167	88
Research and development credit carry forwards	5,736	5,268
Lease liabilities	11	41
Other	118	71
Total deferred tax assets	28,278	24,967
Deferred tax liabilities:		
Right-of-use assets	(10)	(40)
Fixed assets	(28)	(3)
Total deferred tax liabilities	(38)	(43)
Total net deferred tax assets	28,240	24,924
Less: valuation allowance	(28,240)	(24,924)
Net deferred taxes	$ —	$ —

The Company provided a full valuation allowance on the net deferred tax asset because management has determined that it is more-likely-than-not that the Company will not earn income sufficient to realize the deferred tax assets during the carryforward period. As of December 31, 2022, the Company has federal and state NOLs available of approximately $75.4 million and $75.3 million, respectively, to offset future taxable income, if any, for federal and state income tax purposes. The federal and state NOLs expire beginning in 2026. The Company has $34.9 million of post-2017 federal NOL carryforwards that carry forward indefinitely. In addition, under the Tax Act the amount of net operating losses generated in taxable periods beginning after December 31, 2017, that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the net operating loss deduction itself. The Tax Act generally eliminates the ability to carry back any net operating loss to prior taxable years, while allowing post-2017 unused net operating losses to be carried forward indefinitely.

As of December 31, 2022, the Company has federal and state research and development credit carryforwards available of approximately $4.9 million and $2.2 million, respectively. Federal research and development carryforwards expire beginning in 2027. State research and development carryforwards do not expire.

Pursuant to Internal Revenue Code of 1986, as amended (the “Code”) specifically by IRC §382, the Company’s ability to use net operating loss carryforwards to offset future taxable income is limited if the Company experiences a cumulative change in ownership of more than 50% within a three-year testing period. The Company has not completed an ownership change analysis pursuant to IRC Section 382. If ownership changes within the meaning of IRC Section 382 are identified as having occurred, the amount of remaining tax attribute carryforwards available to offset future taxable income and income tax expense in future years may be significantly reduced. Any limitation may result in the expiration of a portion of the NOL carryforwards before utilization.

The change in the Company’s unrecognized tax benefits is summarized as follows (in thousands):	
Balance at December 31, 2020	$5,576
Increase related to current year tax positions	962
Reductions for tax positions of prior years	(81)
Balance at December 31, 2021	$6,457
Increase related to current year tax positions	1,050
Additions for tax positions of prior years	74
Balance at December 31, 2022	$7,581

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized. The Company’s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest and penalties and has not recognized interest and/ or penalties in the statements of operations and comprehensive loss for the years ended December 31, 2022 and 2021. Uncertain tax positions are evaluated based upon the facts and circumstances that exist at each reporting period. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition, and measurement. Adjustments may result, for example, upon resolution of an issue with the taxing authorities or expiration of a statute of limitations barring an assessment for an issue.

As of December 31, 2022, and 2021, our unrecognized tax benefits associated with uncertain tax positions was approximately $6.1 million and $5.2 million respectively. If recognized, this would affect the effective tax rate, subject to valuation allowance. As of December 31, 2022, the Company did not recognize any interest and penalties associated with unrecognized tax benefits. Due to net operating losses incurred, tax years from inception remain open to examination by the Federal and State taxing jurisdictions to which we are subject. The Company is not currently under Internal Revenue Services (IRS), state or local tax examination.

13. Subsequent Events

The Company has evaluated subsequent events through April 4, 2023, the date on which the accompanying financial statements were issued. During this period, the Company has concluded that no material subsequent events have occurred other than those disclosed below.

Note Purchase Agreement

In February 2023, CalciMedica entered into a note purchase agreement with Graybug with an aggregate principal amount of up to $2 million, with $500,000 deliverable in each of four closings. The Company obtained $1.0 million in notes. The note has an interest rate of 7.5% compounded annually and was due and payable on the six-month anniversary date of the maturity date. At the closing of the Merger, the loan and accrued interest was applied as an addition to the Graybug net cash amount as of the date of closing.

Private Placement of Common Stock

Immediately prior to the consummation of the Merger, CalciMedica completed a Private Placement financing by issuing 20.7 million shares of CalciMedica common stock at $0.4994 per share for an aggregate purchase price of $10.3 million. In connection with the Private Placement, CalciMedica entered into a registration rights agreement, granting certain registration rights with respect to the shares.

Completion of the Merger Transaction

As more fully described in Note 1, on March 20, 2023, Graybug completed a merger transaction by and among Graybug, Merger Sub, and the Company, pursuant to which Merger Sub merged with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of Graybug. Additionally, the Company changed its name from “Graybug Vision, Inc.” to “CalciMedica, Inc.”

Upon the closing of the Merger, each share of CalciMedica common stock outstanding after giving effect to the automatic conversion of each share of CalciMedica preferred stock into shares of CalciMedica common stock, the automatic exercise of certain CalciMedica warrants to purchase shares of CalciMedica common stock and the conversion of CalciMedica convertible promissory notes into CalciMedica common stock, was automatically converted solely into the right to receive a number of shares of Graybug common stock equal to the Exchange Ratio of .02880, with any fractional share issuable to a holder aggregated with all other fractional shares issuable to such holder and rounded up to the nearest whole share of Graybug common stock.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Merger

On November 21, 2022, Graybug Vision, Inc. ("Graybug") entered into the merger agreement with CalciMedica, Inc. ("CalciMedica") and Camaro Merger Sub, Inc. (the "merger subsidiary or merger sub"). Upon the terms and subject to the satisfaction of the conditions described in the merger agreement, the merger subsidiary will be merged with and into CalciMedica with CalciMedica surviving as a wholly owned subsidiary of Graybug. On March 20, 2023, Graybug, merger sub and CalciMedica consummated the transactions contemplated by the merger agreement, merger sub was merged with and into CalciMedica and CalciMedica became a wholly owned subsidiary of Graybug (the "merger"). On March 17, 2023, in connection with the transactions contemplated by the merger agreement, Graybug (i) effected a reverse stock split of Graybug's common stock, par value $0.0001 per share ("Graybug common stock"), at a ratio of 14:1 (the "reverse stock split"). Unless otherwise noted, the reverse stock split has not been reflected in the historical share and per share disclosures of Graybug.

At the Effective Time: (i) each share of CalciMedica's capital stock outstanding, inclusive of the shares to be sold in the private placement, immediately prior to the effective time and after giving effect to the preferred stock conversion, the automatic exercise of certain CalciMedica warrants to purchase shares of CalciMedica capital stock in accordance with their terms, and the convertible promissory note conversion, and excluding any shares held in treasury stock by CalciMedica or owned by Graybug or any subsidiary of Graybug or CalciMedica and any dissenting shares, was automatically converted solely into the right to receive a number of shares of Graybug common stock equal to the exchange ratio, rounded up to the nearest whole shares (after aggregating all shares issuable to such holder); (ii) each option to purchase shares of CalciMedica common stock (each, a "**CalciMedica Option**") that is outstanding and unexercised immediately prior to the Effective Time under CalciMedica's 2006 Equity Incentive Plan (the "**CalciMedica 2006 Plan**"), whether or not vested, was converted into and become an option to purchase Graybug common stock, with the number of such option shares and the per share purchase price each adjusted to give effect of the exchange ratio, and Graybug assumed the CalciMedica 2006 Plan and each such CalciMedica Option in accordance with the terms of the CalciMedica 2006 Plan and the terms of the stock option agreement by which such CalciMedica Option is evidenced; and (iii) each warrant to purchase shares of CalciMedica capital stock (each, a "**CalciMedica Warrant**") that remains outstanding and unexercised immediately prior to the effective time and after giving effect to the preferred stock conversion, the CalciMedica warrant exercises and the convertible promissory note conversion, was converted into and became a warrant to purchase Graybug common stock, with the number of such warrant shares and the per share purchase price each adjusted to give effect of the exchange ratio, and Graybug assumed each CalciMedica Warrant in accordance with its terms.

Immediately prior to the closing, CalciMedica completed a private placement with certain investors to purchase 20,706,997 shares of CalciMedica common stock at a price per share of $0.4994 per share for an aggregate purchase price of $10.3 million. Upon the closing of the merger and in accordance with the terms and conditions of the merger agreement, the shares sold in the private placement (the "**Shares**") have the right to receive a number of shares of Graybug common stock based on the exchange ratio. In connection with the private placement, CalciMedica entered into a registration rights agreement with the private placement investors, pursuant to which CalciMedica agreed to use commercially reasonably efforts to prepare and file a registration statement with the SEC as soon as practicable following the closing of the merger but in no event later than the 90th day following such closing to register the resale of the shares.

The equity holders of Graybug immediately prior to the effective time owned approximately 28.1% of the aggregate number of outstanding shares of the combined company immediately after the effective time, and CalciMedica's equity holders immediately prior to the effective time owned 71.9% of the combined company, in each case, on a fully-diluted basis using the treasury stock method and excluding out-of-the-money options and warrants.

Unaudited Pro Forma Condensed Combined Financial Statements

The following unaudited pro forma condensed combined financial information gives effect to the merger, which has been accounted for as a reverse recapitalization under U.S. generally accepted accounting principles ("**GAAP**") and considers CalciMedica the accounting acquirer for financial reporting purposes. This determination is based on the facts that, immediately following the merger: (i) CalciMedica stockholders own a substantial majority of the voting rights of the combined company; (ii) CalciMedica have designated a majority (five of seven) of the initial members of the board of directors of the combined company; and (iii) CalciMedica's senior management holds all key positions in senior management of the combined company. The transaction is accounted for as a reverse recapitalization of Graybug by CalciMedica similar to the issuance of equity for the net assets of Graybug, which are expected to be primarily cash, short-term investments, and other non-operating assets. It was concluded that any in- process research and development assets potentially still remaining as of the merger would be de-minimis when compared to the cash and investments obtained through the transaction.

As a result of CalciMedica being treated as the accounting acquirer, CalciMedica's assets and liabilities will be recorded at their pre-combination carrying amounts. Graybug's assets and liabilities were measured and recognized at their fair values as of the effective date of the merger, and combined with the assets, liabilities, and results of operations of CalciMedica after the consummation of the merger. As a result, upon consummation of the merger, the historical financial statements of CalciMedica became the historical consolidated financial statements of the combined company.

The unaudited pro forma condensed combined balance sheet data assumes that the merger took place on December 31, 2022, and combines the historical balance sheets of Graybug and CalciMedica as of such date. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2021, assumes that the merger took place as of January 1, 2022 and combines the historical results of Graybug and CalciMedica for the periods then ended. The unaudited pro forma condensed combined financial information was prepared pursuant to the rules and regulations of Article 11 of SEC Regulation S-X.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only, does not necessarily reflect what the actual consolidated results of operations and financial position would have been had the acquisition occurred on the dates assumed and may not be useful in predicting the future consolidated results of operations or financial position.

The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the integration of the two companies. The actual results reported in periods following the merger may differ significantly from those reflected in the unaudited pro forma condensed combined financial information presented herein for a number of reasons, including, but not limited to, differences in the assumptions used to prepare this pro forma financial information.

The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the separate historical financial statements of Graybug and CalciMedica. Graybug's' consolidated statement of operations for the year-ended December 31, 2022 is derived from Graybug's Form 10-K for the year-ended December 31, 2022.

Accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications. The accounting policies of Graybug may materially vary from those of CalciMedica. During preparation of the unaudited pro forma condensed combined financial information, management has performed a preliminary analysis and is not aware of any material differences, and accordingly, this unaudited pro forma condensed combined financial information assumes no material differences in accounting policies. Following the merger, management will conduct a final review of Graybug's accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Graybug's results of operations or reclassification of assets or liabilities to conform to CalciMedica's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements.

Graybug Vision Inc. and CalciMedica Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
(In thousands)
12/31/2022

	Graybug Vision Inc. (Historical)	CalciMedica Inc. (Historical)	Financing Related Adjustments	Notes	Transaction Accounting Adjustments	Notes	Other Transaction Accounting Adjustments	Notes	Pro Forma Combined
ASSETS									
Current assets:									
Cash and cash equivalents	$ 17,304	$ 1,327	$ 10,341	**A**					$ 28,972
Restricted cash	—	149	—						149
short-term investments	21,824	—							21,824
Assets held for sale	—	—							—
prepaid expenses and other current assets	542	254							796
Total current assets	39,670	1,730	10,341		—		—		51,741
Property and equipment, net	—	147							147
Operating lease right-of-use asset	—	48							48
Prepaid expenses and other non-current assets	—	1,424			$ (1,397)	**C**			27
TOTAL ASSETS	**$ 39,670**	**$ 3,349**	**$ 10,341**		**$ (1,397)**		**$ —**		**$ 51,963**
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY (DEFICIT)									
Current liabilities:									
Accounts payable	$ 1,716	$ 2,866							$ 4,582
Accrued expenses	—	1,715			$ 200	**B**			1,915
Accrued research and development	200	—			(200)	**B**			—
Operating lease liability, current	203	—							203
Other current liabilities	1,580	199			1,853	**C**	—		17,389
					6,757	**D**	1,685	**R**	
					5,315	**F**			
Total current liabilities	3,699	4,780	—		13,925		1,685		24,089
Warrant liability	—	4,248			(2,377)	**I**			313
					(1,558)	**J**			
Convertible promissory notes payable	—	8,918	—		(8,918)	**I**			—
Total liabilities	$ 3,699	$ 17,946	—		1,072		1,685		24,402
COMMITMENTS AND CONTINGENCIES	$ —	$ —	$ —		$ —		$ —		$ —
Convertible Preferred Stock:									
Series A	—	19,107			(19,107)	**G**			—
Series B	—	8,224			(8,224)	**G**			—
Series C-1	—	5,683			(5,683)	**G**			—
Series C-2	—	9,563			(9,563)	**G**			—
Series D	—	19,494			(19,494)	**G**			—
	—	62,071	—		(62,071)		—		—
STOCKHOLDERS' EQUITY (DEFICIT):									
Common stock	2	3	21	**A**	(21)	**H**			1
					(2)	**K**			
					(2)	**N**			
Additional paid-in capital	240,799	41,718	10,320	**A**	(131,381)	**L**			161,458
					2	**N**			
Accumulated deficit	(204,793)	(118,389)			190,969	**M**	(1,685)	**R**	(133,898)
Accumulated and other comprehensive loss	(37)	—			37	**K**			—
Total stockholders' equity (deficit)	35,971	(76,668)	10,341		59,602		(1,685)		27,561
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 39,670**	**$ 3,349**	**$ 10,341**		**$ (1,397)**		**$ —**		**$ 51,963**

Graybug Vision Inc. and CalciMedica Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands)
For the Year Ended December 31, 2022

	Graybug Vision Inc. (Historical)	CalciMedica Inc. (Historical)	Transaction Accounting Adjustments	Notes	Other Transaction Accounting Adjustments	Notes	Pro Forma Combined
Operating expenses:							
Research and development	$ 14,113	$ 8,350	$ 2,403	**E**	$ 494	**R**	$ 25,547
					187	**P**	
General and administrative	19,104	5,843	6,757	**D**	567	**P**	49,444
			10,667	**E**	1,191	**R**	
			5,315	**F**			
Restructuring, impairment and other costs of terminated programs	2,963	—	—		—		2,963
Total operating expenses	36,180	14,193	25,142		2,439		77,954
Loss from operations	**(36,180)**	**(14,193)**	**(25,142)**		**(2,439)**		**(77,954)**
Other income (expense):							
Change in fair value of convertible promissory notes	—	(2,711)	—		2,711	**Q**	—
Change in the fair value of warrant liability	—	2,558	—		21	**O**	2,573
					(6)	**Q**	
Interest on convertible promissory note payable	—	(132)	—		132	**Q**	—
Other	—	(28)	—		28	**Q**	—
Interest income	575	—	—		—		575
Total other income (expense), net	575	(313)	—		2,886		3,148
Net loss	**$ (35,605)**	**$ (14,506)**	**$ (25,142)**		**$ 447**		**$ (74,806)**
Net loss per share, basic and diluted	**$ (1.66)**	**$ (5.08)**	**N/A**		**N/A**		**$ (13.65)**
Weighted-average shares of common stock outstanding, basic and diluted	21,489,280	2,855,745	N/A	**S**	N/A	**S**	5,479,551

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of the Transaction

CalciMedica, Graybug, and the merger subsidiary have entered into the merger agreement, pursuant to which the merger subsidiary merged with and into CalciMedica, with CalciMedica surviving as the surviving company. As a result of the merger, CalciMedica is a wholly owned subsidiary of Graybug. Upon the effective time, all shares of CalciMedica capital stock outstanding immediately prior to the effective time, after giving effect to the sale of Shares in the private placement, the preferred stock conversion, the CalciMedica warrant exercises and the convertible promissory note conversion and excluding any shares held in treasury stock by CalciMedica or owned by Graybug or any subsidiary of Graybug or CalciMedica and any dissenting shares, were converted into 3,946,538 shares of Graybug common stock in the aggregate, based on an exchange ratio of 0.0288, prior to the reverse stock-split. On March 17, 2023, in connection with the transactions contemplated by the Merger Agreement, Graybug (i) effected a reverse stock split of Graybug's common stock, par value $0.0001 per share at a ratio of 14:1.

As a result of the merger, the equity holders of Graybug immediately prior to the effective time owned approximately 28.1% of the aggregate number of outstanding shares of the combined company immediately after the effective time, and CalciMedica's equity holders immediately prior to the effective time owned 71.9% of the combined company, in each case, on a fully-diluted basis using the treasury stock method and excluding out-of-the-money options and warrants. In connection with the merger, Graybug changed its corporate ticker symbol to "CALC".

The aggregate value of the consideration paid by CalciMedica in the merger was $8.6 million. The fair value of consideration transferred is based on the number of shares of Graybug common stock stockholders owned upon consummation of the merger, multiplied by the closing price of Graybug common stock on the effective date of March 20, 2023. The fair value of consideration transferred is not indicative of the combined entities enterprise value upon consummation of the merger.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information has been prepared in accordance with SEC Regulation S-X Article 11. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2022, give effect to the merger as if it had been consummated on January 1, 2022.

The unaudited pro forma condensed combined balance sheet as of December 31, 2022, gives effect to the merger and combines the historical balance sheets of Graybug and CalciMedica as of such date. Based on CalciMedica's preliminary review of CalciMedica's and Graybug's summary of significant accounting policies and discussions between management teams of CalciMedica and Graybug, the nature and amount of any adjustments to the historical financial statements of Graybug to conform its accounting policies to those of CalciMedica are not expected to be material.

For accounting purposes, CalciMedica is considered to be the acquiring company and the merger was accounted for as a reverse recapitalization of Graybug by CalciMedica because on the merger date, the pre-combination assets of Graybug are expected to be primarily cash, short-term investments, and other non-operating assets.

For purposes of these pro forma financial statements, the purchase price consideration consists of the following:

Total Consideration	Amount
Number of shares of the combined company to be owned by Graybug's stockholders(i)	1,571,216
Multiplied by the estimate fair value of Graybug's common stock(ii)	5.5000
Total purchase price consideration (in thousands)	$ 8,642

(i) Reflects the number of shares of common stock of the combined company that Graybug equity holders received as of the effective time pursuant to the merger agreement. This amount is calculated, for purposes of this unaudited pro forma condensed combined financial information, based on shares of Graybug common stock outstanding at March 20, 2023 as effected by the reverse stock-split, and contemplation of equity instruments that are in-the-money and expected to be net exercised using the treasury stock method.

(ii) Reflects the price per share of Graybug common stock, which is the closing bid price of Graybug common stock as reported by Nasdaq on March 20, 2023.

Under reverse recapitalization accounting, the assets and liabilities of Graybug were recorded, as of the completion of the merger, at their fair value which is expected to approximate the carrying value of the pre-combination assets. The difference between the fair value of the consideration transferred and the fair value of the net assets of Graybug following determination of the actual purchase price consideration for Graybug was reflected as an adjustment to additional paid-in capital. The subsequent financial statements of CalciMedica will reflect the combined operations of CalciMedica as the acquirer for accounting purposes together with a deemed issuance of shares, equivalent to the shares held by the stockholders of the legal acquirer, Graybug, immediately prior to the effective time, and a recapitalization of the equity of the accounting acquirer, CalciMedica. The historical financial statements of CalciMedica became the historical financial statements of the combined company.

The accompanying unaudited proforma condensed combined financial information is derived from the historical financial statements of Graybug and CalciMedica, and include adjustments to give pro forma effect to reflect the accounting for the transaction in accordance with U.S. GAAP.

CalciMedica and Graybug may incur significant costs associated with integrating the operations of CalciMedica and Graybug after the merger. The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies expected to result from the merger.

The unaudited pro forma condensed combined financial information may differ from the final purchase accounting for a number of reasons, including the fact that the estimate of the fair value of Graybug's net assets at the closing date is preliminary. The differences that may occur between the preliminary estimate and the final purchase accounting could have a material impact on the accompanying unaudited pro forma condensed combined financial information.

3. Shares of Graybug Common Stock Issued to CalciMedica Stockholders upon Closing of the Merger

Prior to the merger, all outstanding shares of CalciMedica preferred stock, the convertible promissory notes, and certain warrants were converted or exercised into, as applicable, CalciMedica common stock, which were exchanged for shares of Graybug common stock based on the exchange ratio determined in accordance with the merger agreement. The exchange ratio for purposes of the unaudited pro forma condensed combined financial information was derived on a fully-diluted basis using the treasury stock method as of March 20, 2023 using a negotiated value of CalciMedica of approximately $100 million and of Graybug of approximately $40 million. The number of shares of common stock that Graybug issued to CalciMedica's stockholders and is determined as follows:

Shares of Graybug Common Stock issued	
Shares of CalciMedica Common Stock outstanding at December 31, 2022	2,922,098
Shares of CalciMedica Preferred Stock outstanding at December 31, 2022	84,820,880
Common Shares of CalciMedica issued in the Private Placement	20,706,997
Common Shares of CalciMedica issued upon conversion of the convertible promissory notes	20,487,105
Common Shares of CalciMedica issued upon exercise of the C-2 warrants	2,786,567
Common Shares of CalciMedica issued upon exercise of warrants attached to the convertible promissory notes	5,308,049
	137,031,696
Exchange Ratio	0.0288
Shares of Graybug common stock issued to CalciMedica upon closing(1)	3,946,538

(1) The calculation considers truncation when the Exchange Ratio is applied to the individual share calculations.

4. Adjustments to Unaudited Pro Forma Condensed Combined Financial Statements

Adjustments included in the column under the heading "Financing Related Adjustments" are based on the private placement, which occurred subsequent to December 31, 2022. Adjustments included in the column under the heading "Transaction Accounting Adjustments" reflect the application of the required accounting to the merger, applying the effects of the merger to CalciMedica's and Graybug's historical financial information. Adjustments included in the column under the heading "Other Transaction Accounting Adjustments" are primarily related to other transactions that are material to the reader of the pro forma financial statements but not part of the required accounting directly related to the merger.

Given CalciMedica's history of net losses and full valuation allowances, management assumed a statutory tax rate of 0%. Therefore, the pro forma adjustments to the condensed combined statements of operations resulted in no additional income tax adjustment to the pro forma financials.

The unaudited pro forma adjustments included in the unaudited pro forma condensed combined financial information are as follows:

Financing Related Adjustments:

A. To reflect the sale and issuance of 20,706,997 Shares with a par value of $0.001, at a per share price of $0.4994, by CalciMedica as a result of the private placement that occurred immediately prior to the merger for $10.3 million in gross proceeds.

Transaction Accounting Adjustments:

B. To reclass $200 thousand from accrued research and development to accrued expenses to conform Graybug's presentation to CalciMedica's.

C. To reflect the transaction costs of $1.85 million, not yet reflected in the historical financial statements, that were incurred by CalciMedica in connection with the merger and the reclass of $1.40 million of deferred transaction costs which were recorded in prepaid expenses and other non-current assets, such as legal fees, accounting expenses and consulting fees, as an increase in accrued liabilities and a reduction to additional paid-in capital of $3.25 in the unaudited pro forma condensed combined balance sheet. As the merger was accounted for as a reverse recapitalization equivalent to the issuance of equity for the net assets, primarily cash and short-term investments, of Graybug, these direct and incremental costs are treated as a reduction of the net proceeds received within additional paid-in capital.

D. To reflect preliminary estimated transaction costs of $6.76 million, not yet reflected in the historical financial statements, which are expected to be incurred by Graybug in connection with the merger, such as adviser fees, legal, and directors and officers' liability insurance expenses, as an increase in other current liabilities and accumulated deficit in the unaudited pro forma condensed combined balance sheet.

E. To reflect the one-time share-based compensation expense of $2.4 million in R&D and $10.7 million in G&A related to the acceleration of stock options and restricted stock units pursuant to Graybug's change-in-control severance policy.

F. To reflect the one-time severance expense of $5.3 million in G&A and other current liabilities to be paid, in connection with, but subsequent to the closing of the merger in accordance with Graybug's change-in-control severance policy.

G. Reclassification of $62.1 million to APIC, representing $62.1 million of preferred stock, and reflecting the conversion of 84,820,880 shares of CalciMedica preferred stock into CalciMedica common stock immediately prior to the Merger to be exchanged for 2,442,841 shares of Graybug common stock at an exchange ratio of 0.0288.

H. Reclassification of $21 thousand from common stock to APIC related to CalciMedica's common shares outstanding as of December 31, 2022, and the issuance of the shares discussed in Note A that converted into Graybug common stock at an exchange ratio of 0.0288. The par value of CalciMedica common stock is $0.001 while the par value of Graybug common stock is $0.0001, which has been reflected as a decrease to the par value of common stock .

I. Concurrent with the closing of the merger, convertible promissory notes and related warrants (currently recorded within warrant liability) were reclassified and converted into 742,900 shares of Graybug common stock at an exchange ratio of 0.0288, resulting in the elimination of the convertible promissory notes in the amount of $8.9 million, a reduction in the warrant liability of $2.4 million, and a corresponding increase in APIC of $11.3 million.

J. Represents the conversion of CalciMedica's C-2 warrants into 80,253 shares of Graybug common stock at an exchange ratio of 0.0288 upon the closing of the merger, resulting in a reduction in the warrant liability of $1.6 million.

K. To reflect the elimination of Graybug's historical net equity, which represents the net assets acquired in the reverse capitalization:

Footnote to eliminate Historical Graybug net equity and net assets

	Amount (in thousands)
Historical Graybug additional paid-in capital	$ (240,799)
Pre-combination Graybug accumulated deficit:	
Historical Graybug accumulated deficit	204,793
Graybug transaction costs (Note D)	6,757
Severance expenses related to Graybug's change-in-control policy (Note F)	5,315
Total pre-combination Graybug accumulated deficit	216,865
Graybug common stock	(2)
Graybug accumulated other comprehensive loss	37
Total adjustment to historical equity (net assets of Graybug)	$ (23,899)

L. The pro forma adjustments recorded in additional paid-in capital as noted include:

Adjustments to Additional Paid-in Capital

	Amount (in thousands)
Elimination of pre-combination Graybug additional paid-in capital (Note K)	$ (240,799)
Record purchase of Graybug historical net assets (Note K)	23,899
Expected transaction costs of CalciMedica (Note C)	(3,250)
Share-based compensation expense related to Graybug's acceleration of options and restricted stock units upon the merger (Note E)	13,070
Conversion of CalciMedica Preferred Stock into Graybug Common Stock (Note G)	62,071
Conversion of historical CalciMedica Common Stock issued at December 31, 2022, and the Private Placement into Graybug Common Stock (Note H)	21
Conversion of CalciMedica convertible promissory notes, and exercise and conversion of related warrants into Graybug Common Stock (Note I)	11,295

	Amount (in thousands)
Conversion of CalciMedica C-2 Warrants into Graybug Common Stock (Note J)	$ 1,558
Issuance of stock options by CalciMedica (Note P)	754
Total adjustments to additional paid-in capital	$ (131,381)

M. The pro forma adjustments recorded to accumulated deficit as noted include:

Adjustments to accumulated deficit

	Amount (in thousands)
Elimination of historical Graybug accumulated deficit (Note k)	$ 204,793
Share-based compensation expense related to Graybug's acceleration of options and restricted stock units upon a change-in-control (Note E)	(13,070)
Issuance of stock options by CalciMedica (Note P)	(754)
Total adjustments to accumulated deficit	$ 190,969

N. To reflect the 14:1 reverse stock-split as effected by Graybug on March 17, 2023 on its common shares as a reduction in common stock and corresponding increase in additional paid-in capital.

Other Transaction Accounting Adjustments:

O. Elimination of other income-change in the fair value of warrant liability as these warrants were recorded at fair value, and subsequently adjusted to their current fair value at each reporting period with changes reflected in earnings, for warrants that convert upon consummation of the merger.

P. Recognition of share-based compensation expense related to stock options issued to employees upon completion of the merger by CalciMedica that will continue to vest post-merger close, of which $433 thousand and $187 thousand is recorded in G&A and R&D, respectively, and the recognition of $134 thousand recorded in G&A related to stock options issued to certain consultants, which are contingent upon the closing of the merger, for the twelve-months ended December 31, 2022.

Q. Elimination of $2.7 million, and $6 thousand of other loss and other gain recorded in the historical financials of CalciMedica resulting from changes in the fair values of the convertible promissory notes, and warrants respectively, $132 thousand of interest expense, and $28 thousand of debt issuance costs, all of which are related to the convertible promissory notes described in Note I.

R. Recognition of CalciMedica bonus payments, which are contingent upon the closing of the merger, of $494 thousand and $1.2 million in R&D and G&A respectively.

S. The pro forma basic and diluted earnings per share have been adjusted to reflect the pro forma net loss for the year ended December 31, 2022. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company for the respective periods including the 14:1 reverse stock-split that was effected by Graybug on its common shares. For the year ended December 31, 2022, the pro forma weighted average shares outstanding has been calculated as follows:

	For the Year Ended December 31, 2022
CalciMedica weighted-average shares of common stock outstanding	2,855,745
Impact of CalciMedica preferred stock assuming conversion as of January 1, 2022	84,820,880
Impact of assumed issuance and conversion of common shares issued in the private placement assuming conversion as of January 1, 2022	20,706,997
Impact of CalciMedica common stock issued on an as-converted basis from the convertible promissory notes assuming conversion as of January 1, 2022	20,487,105
Impact of exercise and conversion of CalciMedica's C-2 Warrants as of January 1, 2022	2,786,567
Impact of exercise of CalciMedica's warrants in connection with the convertible promissory notes assuming conversion as of January 1, 2022	5,308,049
Total	136,965,343
Application of the exchange ratio to historical CalciMedica weighted-average shares outstanding	0.0288
Adjusted CalciMedica weighted-average shares outstanding(1)	3,944,602
Historical Graybug weighted-average shares of common stock outstanding as recasted for the reverse stock-split	1,534,949
Total pro forma weighted-average shares outstanding	5,479,551

(1) The calculation considers truncation when the Exchange Ratio is applied to the individual share calculations.