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

# FORM 8-K/A
**(Amendment No. 1)**

**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(D)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): July 29, 2022**

# Apexigen, Inc.
**(Exact name of registrant as specified in its charter)**

| Delaware | 001-39488 | 85-1260244 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| 75 Shoreway Road, Suite C<br>San Carlos, CA | 94070 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

**(650) 931-6236**
**(Registrant's telephone number, including area code)**

**(Former name or former address, if changed since last report)**

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

☐ Written communication 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-commencements 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 Symbols | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.0001 per share** | **APGN** | **The Nasdaq Stock Market LLC** |
| **Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of $11.50 per share** | **APGNW** | **The Nasdaq Stock Market LLC** |

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. ☐

## INTRODUCTORY NOTE

This Amendment No. 1 to Current Report on Form 8-K/A ("Amendment No. 1") amends the Current Report on Form 8-K of Apexigen, Inc., a Delaware corporation (the "Company"), filed on August 4, 2022 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Amendment No. 1 is being filed to include (a) the unaudited condensed financial statements of Legacy Apexigen (as defined in the Original Report) as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 and notes thereto, (b) Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Apexigen for the three months and six months ended June 30, 2022 and 2021, and (c) the unaudited pro forma condensed combined financial information for the Company as of and for the six months ended June 30, 2022 and for the year ended December 31, 2021.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiary, Legacy Apexigen, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference into this Amendment No. 1.

**Item 9.01. Financial Statements and Exhibits.**

(a) Financial Statements of Businesses Acquired.

The unaudited condensed financial statements of Legacy Apexigen as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 and notes thereto are attached as Exhibit 99.1 and are incorporated herein by reference. Also included as Exhibit 99.2 and incorporated herein by reference is Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Apexigen for the three and six months ended June 30, 2022 and 2021.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information for the Company as of and for the six months ended June 30, 2022 and for the year ended December 31, 2021 is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

(d) Exhibits:

| Exhibit No. | Description |
|---|---|
| 99.1 | Unaudited Condensed Financial Statements of Legacy Apexigen as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 and notes thereto. |
| 99.2 | Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Apexigen for the three and six months ended June 30, 2022 and 2021. |
| 99.3 | Unaudited Pro Forma Condensed Combined Financial Information of the Company as of and for the six months ended June 30, 2022 and for the year ended December 31, 2021. |
| 104 | Cover Page Interactive Data File. |

**SIGNATURE**

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

Dated: August 18, 2022

**APEXIGEN, INC.**

By: /s/ Francis Sarena
Name: Francis Sarena
Title: Chief Operating Officer

**Exhibit 99.1**

## INDEX TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**APEXIGEN, INC.**

**CONDENSED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**

| | December 31, 2021 | June 30, 2022 (Unaudited) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 23,443 | $ 11,644 |
| Short-term investments | 12,917 | 9,981 |
| Prepaid expenses and other current assets | 1,681 | 3,378 |
| Total current assets | 38,041 | 25,003 |
| Property and equipment, net | 245 | 190 |
| Right-of-use assets | 483 | 294 |
| Other assets | 327 | 331 |
| Total assets | $ 39,096 | $ 25,818 |
| **Liabilities, Convertible Preferred Stock and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,487 | $ 7,704 |
| Accrued liabilities | 8,488 | 7,497 |
| Deferred revenue | 3,610 | 4,601 |
| Lease liabilities, current portion | 369 | 312 |
| Total current liabilities | 16,954 | 20,114 |
| Lease liabilities, less current portion | 141 | — |
| Total liabilities | 17,095 | 20,114 |
| Commitment and contingencies (Note 10) | | |
| Convertible preferred stock, $0.001 par value, 148,570,771 shares authorized at December 31, 2021 and June 30, 2022 (unaudited); 145,130,628 shares issued and outstanding as of December 31, 2021 and June 30, 2022 (unaudited), aggregate liquidation preference of $160,085 as of June 30, 2022 (unaudited) | 158,707 | 158,707 |
| Stockholders' deficit: | | |
| Common stock, $0.001 par value; 230,000,000 shares authorized as of December 31, 2021 and June 30, 2022 (unaudited); 31,070,665 and 31,461,489 shares issued and outstanding as of December 31, 2021 and June 30, 2022 (unaudited), respectively | 31 | 31 |
| Additional paid-in capital | 7,991 | 8,853 |
| Accumulated deficit | (144,724) | (161,870) |
| Accumulated other comprehensive income (loss) | (4) | (17) |
| Total stockholders' deficit | (136,706) | (153,003) |
| Total liabilities, convertible preferred stock and stockholders' deficit | $ 39,096 | $ 25,818 |

See accompanying notes to unaudited condensed financial statements.

**APEXIGEN, INC.**

**CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 |
| Operating expenses: | | | | |
| Research and development | $ 4,658 | $ 6,005 | $ 9,621 | $ 13,113 |
| General and administrative | 2,389 | 2,139 | 3,928 | 4,124 |
| Total operating expenses | 7,047 | 8,144 | 13,549 | 17,237 |
| Loss from operations | (7,047) | (8,144) | (13,549) | (17,237) |
| Interest income, net | 12 | 40 | 27 | 91 |
| Net loss | (7,035) | (8,104) | (13,522) | (17,146) |
| Net loss per share attributable to common stockholders | $ (0.23) | $ (0.26) | $ (0.44) | $ (0.55) |
| Weighted-average common shares used to compute net loss per share, basic and diluted | 30,910,694 | 31,454,265 | 30,781,596 | 31,425,054 |
| Comprehensive Loss: | | | | |
| Net loss | $ (7,035) | $ (8,104) | $ (13,522) | $ (17,146) |
| Other comprehensive loss | | | | |
| Unrealized gain (loss) on marketable securities | 4 | (15) | (2) | (13) |
| Comprehensive loss | $ (7,031) | $ (8,119) | $ (13,524) | $ (17,159) |

See accompanying notes to unaudited condensed financial statements.

**APEXIGEN, INC.**

**CONDENSED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT**
**(In thousands, except share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Deficit |
| | Shares | Amounts | Shares | Amounts | | | | |
| Balance at April 1, 2021 | 145,130,628 | $158,707 | 30,910,665 | $ 31 | $ 7,134 | $ (122,295) | $ (3) | $ (115,133) |
| Stock-based compensation | — | — | — | — | 262 | — | — | 262 |
| Net loss | — | — | — | — | — | (7,035) | — | (7,035) |
| Other comprehensive gain | — | — | — | — | — | — | 4 | 4 |
| Balance at June 30, 2021 | 145,130,628 | $158,707 | 30,910,665 | $ 31 | $ 7,396 | $ (129,330) | $ 1 | $ (121,902) |

| | Six Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Deficit |
| | Shares | Amounts | Shares | Amounts | | | | |
| Balance at January 1, 2021 | 145,130,628 | $158,707 | 30,521,693 | $ 31 | $ 6,750 | $ (115,808) | $ 3 | $ (109,024) |
| Exercise of stock options | — | — | 388,972 | — | 24 | — | — | 24 |
| Stock-based compensation | — | — | — | — | 622 | — | — | 622 |
| Net loss | — | — | — | — | — | (13,522) | — | (13,522) |
| Other comprehensive loss | — | — | — | — | — | — | (2) | (2) |
| Balance at June 30, 2021 | 145,130,628 | $158,707 | 30,910,665 | $ 31 | $ 7,396 | $ (129,330) | $ 1 | $ (121,902) |

See accompanying notes to unaudited condensed financial statements.

| | Three Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Deficit |
| | Shares | Amounts | Shares | Amounts | | | | |
| Balance at April 1, 2022 | 145,130,628 | $158,707 | 31,395,489 | $ 31 | $ 8,462 | $ (153,766) | $ (2) | $ (145,275) |
| Exercise of stock options | — | — | 66,000 | — | 23 | — | — | 23 |
| Stock-based compensation | — | — | — | — | 368 | — | — | 368 |
| Net loss | — | — | — | — | — | (8,104) | — | (8,104) |
| Other comprehensive loss | — | — | — | — | — | — | (15) | (15) |
| Balance at June 30, 2022 | 145,130,628 | $158,707 | 31,461,489 | $ 31 | $ 8,853 | $ (161,870) | $ (17) | $ (153,003) |

| | Six Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Deficit |
| | Shares | Amounts | Shares | Amounts | | | | |
| Balance at January 1, 2022 | 145,130,628 | $158,707 | 31,070,665 | $ 31 | $ 7,991 | $ (144,724) | $ (4) | $ (136,706) |
| Exercise of stock options | — | — | 390,824 | — | 73 | — | — | 73 |
| Stock-based compensation | — | — | — | — | 789 | — | — | 789 |
| Net loss | — | — | — | — | — | (17,146) | — | (17,146) |
| Other comprehensive loss | — | — | — | — | — | — | (13) | (13) |
| Balance at June 30, 2022 | 145,130,628 | $158,707 | 31,461,489 | $ 31 | $ 8,853 | $ (161,870) | $ (17) | $ (153,003) |

See accompanying notes to unaudited condensed financial statements.

**APEXIGEN, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2022 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net loss | $ (13,522) | $ (17,146) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 53 | 55 |
| Stock-based compensation | 622 | 789 |
| Accretion of discount and amortization of premiums on marketable securities | 111 | 7 |
| Non-cash lease expense | 322 | 200 |
| Other | 6 | — |
| Changes in current assets and liabilities: | | |
| Prepaid expenses and other current assets | (767) | 82 |
| Other assets | (110) | (104) |
| Accounts payable | (708) | 2,058 |
| Accrued expenses | 122 | (865) |
| Deferred revenue | 764 | 991 |
| Lease liabilities | (325) | (209) |
| Net cash used in operating activities | (13,432) | (14,142) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of property and equipment | (54) | (43) |
| Purchases of marketable securities | (20,179) | (14,985) |
| Sales of marketable securities | 30,530 | 17,947 |
| Net cash provided by investing activities | 10,297 | 2,919 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Payments of deferred transaction costs | — | (649) |
| Proceeds from exercise of stock options | 24 | 73 |
| Net cash provided by (used in) financing activities | 24 | (576) |
| Net decrease in cash and cash equivalents | (3,111) | (11,799) |
| Cash and cash equivalents, beginning of period | 25,284 | 23,443 |
| Cash and cash equivalents, end of period | $ 22,173 | $ 11,644 |

See accompanying notes to unaudited condensed financial statements.

## 1. Organization and Description of the Business

### *Description of Business*

Apexigen, Inc. ("Apexigen") is a clinical-stage biopharmaceutical company focused on discovering and developing antibody therapeutics for oncology, with an emphasis on new immuno-oncology agents designed to harness the patient's immune system to combat and eradicate cancer. Apexigen's lead product candidates are sotigalimab ("sotiga" or "APX005M"), which is a CD40 agonist antibody, and APX601, which is a TNFR2 antagonist antibody. Apexigen also has out-license arrangements for a number of programs. Since inception, Apexigen has devoted substantially all of its resources to performing research, development and manufacturing activities in support of the drug candidates Apexigen is developing and out-licensed drug candidates. In October 2019, the first of Apexigen's out-licensed products was approved for commercial product sale. Apexigen was incorporated in Delaware in 2010, the year Apexigen was spun-out of Epitomics, Inc. ("Epitomics"), which was a California-based biotechnology company that was acquired by Abcam plc in 2012. Apexigen was spun-out of Epitomics to focus on the discovery, development and commercialization of humanized monoclonal antibody therapeutics. Apexigen is headquartered in San Carlos, California.

On March 17, 2022, Brookline Capital Acquisition Corp. ("BCAC") and Apexigen entered into a business combination agreement ("Business Combination Agreement") pursuant to which BCAC and Apexigen agreed to combine, with the former equityholders of both entities holding equity in the combined public company listed on the Nasdaq Stock Exchange and with Apexigen's existing equityholders owning a majority of the equity in the combined public company. Existing Apexigen equityholders received equity in the combined public company in the form of common shares and warrants. Under the Business Combination Agreement, the transaction valued Apexigen at $205.0 million on a fully diluted basis, net of exercise proceeds for Apexigen's pre-closing options. Concurrently with the execution of the Business Combination Agreement, BCAC entered into subscription agreements with certain investors for a private investment in public equity ("PIPE") transaction to close concurrently with the business combination, and BCAC and Apexigen entered into a committed investment agreement with Lincoln Park Capital Fund, LLC to allow the combined company to direct Lincoln Park to make certain equity purchases during the 24 months following the business combination subject to certain limitations. These arrangements are collectively referred to as the "Transaction."

The Transaction closed on July 29, 2022. As a result, the combined public company received approximately $19.0 million in gross proceeds funded by approximately $4.5 million in cash held in BCAC's trust account net of redemption and $14.5 million from the PIPE. The combined public company incurred $8.9 million in transaction expenses relating to the Transaction, consisting of banking, legal, and other professional fees. The PIPE investors receive an aggregate of 1,452,000 units (each a "PIPE Unit") at a purchase price of $10.00 per unit. Each PIPE Unit consists of one share of BCAC Common Stock and one-half of one warrant. Each whole warrant entitles the PIPE Investor to purchase one share of BCAC Common Stock at an exercise price of $11.50 per share during the period commencing 30 days after July 29, 2022 and terminating on the five-year anniversary of July 29, 2022. In addition, the combined public company has the right to direct Lincoln Park to purchase up to an aggregate of $50 million of common stock of the combined public company pursuant to the terms of an investment agreement. The Transaction was a subsequent event (see Note 13) and was not reflected in the unaudited interim financial statements as of June 30, 2022 and for the three months and six months ended June 30, 2022.

### *Liquidity and Capital Resources*

As of June 30, 2022, Apexigen had approximately $21.6 million of cash, cash equivalents, and short-term investments. Apexigen has incurred substantial losses and negative cash flows from operations since inception and had an accumulated deficit of $161.9 million as of June 30, 2022. Since inception through June 30, 2022, Apexigen has funded operations primarily through the issuance of convertible preferred stock, proceeds from collaborative research and development agreements, and borrowings under a debt arrangement. Due to Apexigen's significant research, development and manufacturing expenditures, Apexigen has generated operating losses in all periods presented. Apexigen expects to incur substantial additional losses in the future as Apexigen advances and expands its research and development activities and prepares to pursue the potential regulatory approval and commercialization of its product candidates. Based on Apexigen's research and development activities and plans, there is uncertainty regarding the ability to maintain liquidity sufficient to operate the business effectively, which raises substantial doubt as to the ability to continue as a going concern.

Apexigen may seek additional funds through the sale and issuance of shares of Apexigen's common stock in private or public offerings, other equity or debt financings, collaborations or partnerships with third parties, or other transactions to monetize assets, including Apexigen's right to receive milestone payments and royalties under Apexigen's out-license arrangements. Apexigen cannot assure that Apexigen will succeed in acquiring additional funding at levels sufficient to fund Apexigen's operations or on terms favorable to us. If Apexigen is unable to obtain adequate financing when needed, Apexigen may have to delay, reduce the scope of or suspend one or more of Apexigen's clinical trials or preclinical studies or research and development programs. Because of the numerous risks and uncertainties associated with the development and commercialization of Apexigen's product candidates, Apexigen is unable to estimate the amount of increased capital outlays and operating expenditures associated with Apexigen's current and planned research, development and manufacturing activities.

To the extent that Apexigen raises additional capital through strategic alliances, licensing arrangements or other monetization transactions with third parties, Apexigen may have to relinquish valuable rights to Apexigen's product candidates, future revenue streams or research programs or grant licenses on terms that may not be favorable to us. If Apexigen raises additional capital through public or private equity offerings, the ownership interest of the then-existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect Apexigen's stockholders' rights. If Apexigen raises additional capital through debt financing, Apexigen may be subject to covenants limiting or restricting the ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

***Coronavirus Pandemic***

The ongoing COVID-19 pandemic continues to affect economies and business globally. The pandemic may continue to affect Apexigen's business operations such as its ability to initiate and complete ongoing, planned or future clinical trials and preclinical studies. Apexigen anticipates a continued impact in the second half of 2022. Apexigen's ability to raise additional funds to support its operations may also be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the U.S. and worldwide resulting from the ongoing COVID-19 pandemic. Apexigen actively monitors and manages its responses and continues to assess actual and potential impacts onto its operations and financial condition, as well as its business developments.

Apexigen cannot predict the specific extent, duration, or full impact that the COVID-19 pandemic will have on its business, financial condition and operations, including planned research, manufacturing and clinical development timelines. The impact of the COVID-19 pandemic on Apexigen's financial performance will depend on future developments, including the duration of and surges in the pandemic, including due to new variants of the virus, the pandemic's impact on Apexigen's manufacturing activities, clinical trials (including enrollment and operations at clinical trial sites), contract research organizations ("CROs"), and other third parties with whom it does business and the pandemic's impact on Apexigen's employees. These developments and the impact of the COVID-19 pandemic on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets or the overall economy are impacted for an extended period, Apexigen's business may be significantly adversely affected.

**2. Summary of Significant Accounting Policies**

***Unaudited Interim Financial Statements***

The condensed balance sheet as of June 30, 2022, the condensed statements of operations and comprehensive loss for the three and six months ended June 30, 2021 and 2022, the condensed statements of convertible preferred stock and stockholders' deficit for the three and six months ended June 30, 2021 and 2022, and the condensed statements of cash flows for the six months ended June 30, 2021 and 2022 are unaudited. The unaudited condensed financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal, recurring adjustments that are necessary to present fairly Apexigen's financial position as of June 30, 2022, its results of operations for the three and six months ended June 30, 2021 and 2022 and its cash flows for the six months ended June 30, 2021 and 2022. The financial data and the other financial information contained in these notes to the condensed financial statements related to the three and six month periods are also unaudited. The condensed balance sheet as of December 31, 2021, is derived from Apexigen's audited financial statements. The results of operations for the three and six months ended June 30, 2022, are not necessarily indicative of the results to be expected for the year ending December 31, 2022, or for any other future annual or interim period. These condensed financial statements are not complete and are to be read in conjunction with Apexigen's audited financial statements and the related notes for the year ended December 31, 2021.

***Basis of Presentation***

Apexigen prepares the financial statements and accompanying notes in accordance with accounting principles generally accepted in the United States of America ("GAAP").

***Emerging Growth Company***

Apexigen is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. Apexigen has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, Apexigen, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of Apexigen's financial statements with another public company, which is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts expensed during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to accruals for research and development costs, stock-based compensation, uncertain tax positions and fair values of common stock and preferred stock. Apexigen adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

***Segment Reporting***

Apexigen has one operating segment, which is the business of researching, developing and commercializing antibody therapeutics for oncology. Apexigen's chief operating decision maker, its Chief Executive Officer, manages Apexigen's operations on an aggregated basis for the purposes of allocating resources and evaluating financial performance.

***Cash and Cash Equivalents***

Apexigen considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents consist primarily of amounts invested in money market funds and corporate debt securities. The carrying amount of cash equivalents approximates their fair value.

***Short-Term Investments***

Short-term investments consist of debt securities with original maturities of greater than three months from the date of purchase but less than one year from the balance sheet date. Such investments are considered available-for-sale and reported at fair value with unrealized gains and losses included as a component of stockholders' deficit. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, which is included in interest income, net on the statements of operations and comprehensive loss. Realized gains and losses and declines in fair value determined to be other-than-temporary, if any, on investments are included in interest income, net. Apexigen determines the cost of securities sold using the specific identification method.

***Fair Value Measurements***

Apexigen applies fair value accounting to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The carrying amount of Apexigen's financial assets and liabilities, including accounts payable and accrued expenses, approximate their fair values due to their short-term maturities.

***Concentrations of Credit and Other Risks***

Financial instruments that potentially subject Apexigen to a concentration of credit risk consist primarily of cash and cash equivalents and short-term investments. Apexigen holds its bank deposits at accredited financial institutions and these deposits may at times exceed insured limits. Apexigen is exposed to credit risk in the event of a default by the financial institutions holding its cash and cash equivalents to the extent of the amounts held in excess of federally insured limits. Apexigen limits its credit risk associated with cash and cash equivalents by placing them with financial institutions it believes are of high quality. Apexigen has not experienced any losses on its deposits of cash. Apexigen's investment policy limits investments to certain types of securities issued by the U.S. government, its agencies and institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issuer. As of June 30, 2021 and 2022, Apexigen had no off-balance sheet concentrations of credit risk.

Apexigen is subject to a number of risks similar to other early-stage biopharmaceutical companies, including the need to obtain adequate additional funding, possible failure of clinical trials, the need to obtain marketing approval for its product candidates, competitors developing new technological innovations, the need to successfully commercialize and gain market acceptance of Apexigen's products, and protection of proprietary technology. If Apexigen does not successfully develop, obtain regulatory approval for, commercialize or partner its product candidates, it will be unable to generate revenue from product sales or achieve profitability.

***Property and Equipment, Net***

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful life of laboratory equipment, furniture and fixtures, office equipment, and software ranges from two to five years. Apexigen expenses maintenance, repair and calibration costs as incurred.

***Impairment of Long-Lived Assets***

Apexigen's long-lived assets are comprised principally of its property and equipment and right-of-use lease assets. Apexigen periodically evaluates its long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets or group of assets may not be fully recoverable. A long-lived asset is deemed to be impaired when the undiscounted future cash flows expected to be generated by the asset or group of assets is less than the carrying amount of the assets. If there is an impairment, Apexigen would reduce the carrying amount of the assets through an impairment charge, to their estimated fair values based on a discounted cash flow approach or, when available and appropriate, to comparable market values. Apexigen recorded no impairment of long-lived assets during the three and six months ended June 30, 2021 and 2022.

***Deferred Transaction Costs***

Deferred transaction costs consist of direct legal, accounting, filing and other fees and costs directly attributable to the anticipated Transaction (see Note 1). Apexigen will offset any deferred transaction costs against the proceeds received upon the closing of the Transaction. Apexigen capitalized and included in prepaid expenses and other current assets deferred transaction costs of $0.5 million and $2.3 million on the balance sheets as of December 31, 2021 and June 30, 2022, respectively.

***Revenue Recognition***

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, Apexigen recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which Apexigen expects to be entitled in exchange for those goods or services. Apexigen has not commenced sales of its drug candidates and did not have a product approved for marketing as of June 30, 2022.

Apexigen may also earn contingent fees, including milestone payments based on counterparty performance and royalties on sales, from collaborations and other out-license arrangements. Apexigen will recognize milestone payments as revenue once the underlying events are probable of being met and there is not a significant risk of reversal. Apexigen will recognize sales-based royalties as revenue when the underlying sales occur. In October 2019, Novartis' Beovu® product, which is covered by one of Apexigen's license agreements, was approved for commercial product sale. Under this agreement, Novartis is obligated to pay Apexigen a very low single-digit royalty on net sales of the Beovu product. However, Novartis has disputed its obligation to pay to Apexigen royalties on Beovu sales under this agreement. As a result, Apexigen has determined that any sales-based Beovu product royalty revenue that Apexigen may earn under this agreement is currently fully constrained. Apexigen has recorded the royalty proceeds as deferred revenue in the balance sheets. As of December 31, 2021 and June 30, 2022, deferred revenue totaled $3.6 million and $4.6 million, respectively.

***Leases***

Apexigen determines if an arrangement is a lease at inception and if so, determines whether the lease qualifies as an operating or a finance lease. Apexigen includes operating leases in operating lease right-of-use ("ROU") assets and lease liabilities in its balance sheets. Apexigen did not have any finance leases as of December 31, 2021 or June 30, 2022. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Apexigen recognizes operating lease ROU assets and liabilities at the lease commencement date based on the present value of lease payments over the lease term. When its lease does not provide an implicit rate, Apexigen uses an incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Apexigen uses the implicit rate when readily determinable. The operating lease ROU assets also include any lease payments made and exclude lease incentives when paid by Apexigen or on Apexigen's behalf. Apexigen's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Apexigen recognizes lease expense for lease payments on a straight-line basis over the lease term. Apexigen also made an accounting policy election to recognize lease expense for short-term leases with a term of 12 months or less on a straight-line basis over the lease term and not to recognize ROU assets or lease liabilities for such leases.

Apexigen leases its facilities under non-cancelable operating lease agreements and recognizes related rent expense on a straight-line basis over the terms of the leases. As an implicit interest rate is not readily determinable in Apexigen's leases, the incremental borrowing rate based on information available on the adoption date was used in determining the present value of lease payments. The lease term for each of Apexigen's operating leases includes the non-cancellable period of the lease plus any additional periods covered by its option to extend the lease that Apexigen is reasonably certain to exercise. The option for lease renewal has been included in the lease term (and lease liability) for one of Apexigen's leases as the reasonably certain threshold was met as of January 1, 2020.

***Research and Development Expenses***

Research and development costs are expensed as incurred. Research and development expenses are primarily for the development of sotiga, Apexigen's lead product candidate, as well as APX601 and other product candidates. Research and development costs consist primarily of external costs related to clinical development, contract manufacturing, preclinical development and discovery as well as personnel costs and allocated overhead, such as rent, equipment, depreciation and utilities. Personnel costs consist of salaries, employee benefits and stock-based compensation.

Apexigen estimates external research and development expenses based on the services performed, pursuant to contracts with commercial and academic institutions that conduct and manage research and development services on its behalf. Apexigen records the costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and includes these costs in accrued liabilities in the balance sheets. These costs are a component of Apexigen's research and development expenses. Apexigen accrues for these costs based on factors such as the number of patient visits, the number of active patients, the number of patients enrolled, estimates of the work completed and other measures in accordance with agreements established with its third-party service providers under the service agreements. As actual costs become known, Apexigen adjusts its accrued liabilities. Apexigen has not experienced any significant differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed may vary from Apexigen's estimates, resulting in adjustments to expense in future periods. Changes in these estimates that result in significant changes to Apexigen's accruals could significantly affect Apexigen's results of operations.

Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are capitalized and then expensed as the related goods are delivered or the services are performed. Apexigen evaluates such payments for current or long-term classification based on when they will be realized.

***Preferred Stock Warrant Liability***

Apexigen records at fair value freestanding puttable or redeemable warrants, or warrants which are not considered to be indexed to Apexigen's stock and includes this amount in accrued expenses on Apexigen's balance sheets. Apexigen adjusts the carrying value of such warrants to their estimated fair value at the end of each reporting period based upon the value of Apexigen's convertible preferred stock.

***Convertible Preferred Stock***

Apexigen records convertible preferred stock at its issuance price less issuance costs on the dates of issuance. Upon the occurrence of certain change in control events that are outside Apexigen's control, including liquidation, sale or transfer of Apexigen, holders of the convertible preferred stock can cause redemption for cash. Apexigen classifies convertible preferred stock outside of stockholders' deficit on the balance sheets as events triggering the liquidation preferences are not solely within Apexigen's control. Apexigen adjusts the carrying values of the convertible preferred stock to their liquidation preferences when and if it becomes probable that such an event will occur. No adjustments have been recorded as of December 31, 2021 or June 30, 2022.

***Stock-Based Compensation***

Apexigen measures all stock-based awards granted to employees and non-employees based on the estimated grant date fair value. For awards subject to service-based vesting conditions, Apexigen recognizes stock-based compensation expense on a straight-line basis over the requisite service period, which is generally the vesting term. For awards subject to performance-based vesting conditions, Apexigen recognizes stock-based compensation expense using the accelerated attribution method when it is probable that the performance condition will be achieved. Apexigen recognizes forfeitures as they occur.

Apexigen uses the Black-Scholes option-pricing model to estimate the fair value of stock option awards and recognizes expense using the straight-line attribution approach. The Black-Scholes option-pricing model requires assumptions to be made related to the fair value of Apexigen's common stock, the expected term of the awards, expected stock priced volatility, risk-free rate for a period that approximates the expected term of the awards and the expected dividend yield.

***Income Taxes***

Apexigen accounts for income taxes under the asset and liability method. Under this method, Apexigen recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Apexigen measures deferred tax assets and liabilities using enacted tax rates applied to taxable income in the years in which Apexigen expects to realize those temporary differences. Apexigen recognizes the effect on deferred tax assets and liabilities of a change in tax rates as income or loss in the period that includes the enactment date. Apexigen establishes a valuation allowance, when necessary, to reduce deferred tax assets to the amount we expect to realize. Apexigen recognizes financial statement effects of uncertain tax positions when it is more-likely-than-not, based on the technical merits of the position, that it will be sustained upon examination. Apexigen includes interest and penalties related to unrecognized tax benefits within the provision of income tax. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

***Comprehensive Loss***

Comprehensive loss includes net loss and certain changes in stockholders' deficit that are excluded from net loss, primarily unrealized gains or losses on Apexigen's marketable securities.

***Net Loss per Share***

Apexigen calculates basic net loss per share by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is the same as basic net loss per share for each period presented, since the effects of potentially dilutive securities are antidilutive given Apexigen's net loss.

***Recent Accounting Pronouncements***

The adoption dates discussed below reflect the election as an emerging growth company.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as clarified in subsequent amendments. The standard changes the impairment model for certain financial instruments. The new model is a forward-looking expected loss model and will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees and net investments in leases, as well as trade receivables. For available-for-sale debt securities with unrealized losses, credit losses will be measured in a manner similar to the existing standard, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard is effective for Apexigen for fiscal years and interim periods beginning January 1, 2023. Early adoption is permitted. Apexigen has not yet assessed the effect of adopting the standard on its financial statements.

**3. Fair Value Measurement**

Apexigen records financial assets and liabilities at fair value. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. Apexigen categorizes assets and liabilities recorded at fair value in the financial statements based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels are directly related to the amount of subjectivity with the inputs to the valuation of these assets or liabilities as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3 –** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of June 30, 2022, Apexigen's cash equivalents consist of money market funds less than a three-month maturity. Its short-term investments consisting of U.S. treasury securities and government debt securities are also recorded as available-for-sale securities. Money market funds and U.S. treasury securities are classified as Level 1 because they are valued using quoted market prices. Government debt securities are classified as Level 2 because their value is based on valuations using significant inputs derived from or corroborated by observable market data.

In certain cases where there is limited activity or less transparency around the inputs to valuation, Apexigen classifies securities as Level 3. Level 3 liabilities consist of the preferred stock warrant liability.

The following tables set forth Apexigen's financial instruments that Apexigen measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Money market funds | $18,526 | $ — | $ — | $18,526 |
| Commercial paper | — | 5,498 | — | 5,498 |
| Corporate debt securities | — | 4,512 | — | 4,512 |
| Government debt securities | — | 1,503 | — | 1,503 |
| Asset backed securities | — | 1,404 | — | 1,404 |
| Total | $18,526 | $12,917 | $ — | $31,443 |
| Financial liability: | | | | |
| Preferred stock warrant liability | $ — | $ — | $ 2 | $ 2 |
| Total | $ — | $ — | $ 2 | $ 2 |

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Money market funds | $10,538 | $ — | $ — | $10,538 |
| U.S. treasury securities | 5,991 | — | — | 5,991 |
| Government debt securities | — | 3,990 | — | 3,990 |
| Total | $16,529 | $ 3,990 | $ — | $20,519 |
| Financial liability: | | | | |
| Preferred stock warrant liability | $ — | $ — | $ 2 | $ 2 |
| Total | $ — | $ — | $ 2 | $ 2 |

The only financial liability measured at fair value on a recurring basis is the preferred stock warrant liability, a level 3 instrument, with a fair value of $2,000 as of December 31, 2021 and June 30, 2022. Apexigen estimates the fair value of the preferred stock warrant liability using the Black-Scholes option-pricing model, which requires inputs such as the expected volatility based on comparable public companies, the estimated fair value of the preferred stock, and the estimated time to liquidity.

The following tables summarize the estimated fair value of Apexigen's marketable securities and the gross unrealized holding gains and losses (in thousands):

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Cash and cash equivalents: | | | | |
| Cash | $ 4,917 | $— | $ — | $ 4,917 |
| Money market funds | 18,526 | — | — | 18,526 |
| Total cash and cash equivalents | $ 23,443 | $— | $ — | $ 23,443 |
| Marketable securities: | | | | |
| Commercial paper | $ 5,498 | $— | $ — | $ 5,498 |
| Corporate debt securities | 4,515 | — | (3) | 4,512 |
| Government debt securities | 1,503 | — | — | 1,503 |
| Asset backed securities | 1,405 | — | (1) | 1,404 |
| Total marketable securities | $ 12,921 | $— | $ (4) | $ 12,917 |

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| Cash and cash equivalents: | | | | |
| Cash | $ 1,106 | $— | $ — | $ 1,106 |
| Money market funds | 10,538 | — | — | 10,538 |
| Total cash and cash equivalents | $ 11,644 | $— | $ — | $ 11,644 |
| Marketable securities: | | | | |
| U.S. treasury securities | $ 5,995 | $— | $ (4) | $ 5,991 |
| Government debt securities | 4,003 | — | (13) | 3,990 |
| Total marketable securities | $ 9,998 | $— | $ (17) | $ 9,981 |

## 4. Balance Sheet Components

### *Property and Equipment, Net*

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

| | December 31, 2021 | June 30, 2022 |
|---|---|---|
| Laboratory equipment | $ 943 | $ 894 |
| Furniture and fixtures | 28 | 28 |
| Office equipment | 25 | 25 |
| Software | 12 | 12 |
| Total property and equipment | 1,008 | 959 |
| Less: accumulated depreciation | (763) | (769) |
| Total property and equipment, net | $ 245 | $ 190 |

Depreciation expense for property and equipment was $26,000 and $28,000 for the three months ended June 30, 2021 and 2022, respectively, and $53,000 and $55,000 for the six months ended June 30, 2021 and 2022, respectively.

***Accrued Liabilities***

Accrued liabilities consist of the following (in thousands):

| | December 31, 2021 | June 30, 2022 |
|---|---|---|
| Accrued clinical trial and manufacturing costs | $ 6,472 | $ 5,667 |
| Accrued personnel costs | 1,172 | 1,034 |
| Other accrued liabilities | 844 | 796 |
| Total accrued liabilities | $ 8,488 | $ 7,497 |

**5. Leases**

Apexigen leases its principal facility under a non-cancelable operating lease agreement with a lease term ending in April 2023. As Apexigen's leases did not provide an implicit rate, Apexigen used its incremental borrowing rate as the discount rate to calculate the present value of lease payments. The incremental borrowing rate represents an estimate of the interest rate that would be required to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. The weighted average discount rate associated with operating lease modifications was 5.05%. As of December 31, 2021 and June 30, 2022, the right-of-use assets were $0.5 million and $0.3 million, respectively, and lease liabilities were $0.5 million and $0.3 million, respectively. Rent expense was $0.1 million for the three months ended June 30, 2021 and 2022, and $0.3 million and $0.2 million for the six months ended June 30, 2021 and 2022, respectively.

Future minimum lease payments as of June 30, 2022, are as follows (in thousands):

| | Operating Leases |
|---|---|
| Year ending December 31, | |
| 2022 (6 months remaining) | $ 212 |
| 2023 | 106 |
| Total undiscounted future lease payments | 318 |
| Less: imputed interest | (6) |
| Total lease liabilities | $ 312 |

**6. Convertible Preferred Stock**

Apexigen's authorized, issued and outstanding shares, carrying value and aggregate liquidation preferences of its convertible preferred stock at December 31, 2021 and June 30, 2022 are as follows (in thousands, except for share amounts):

| Convertible Preferred Stock | Shares Authorized | Shares Issued and Outstanding | Carrying Value | Liquidation Preference |
|---|---|---|---|---|
| Series A-1 | 39,196,116 | 39,196,116 | $ 19,787 | $ 19,990 |
| Series A-2 | 12,652,762 | 12,625,343 | 2,525 | 2,525 |
| Series B | 14,218,546 | 14,218,546 | 14,895 | 15,000 |
| Series C | 82,503,347 | 79,090,623 | 121,500 | 122,570 |
| Total | 148,570,771 | 145,130,628 | $ 158,707 | $ 160,085 |

The characteristics of the convertible preferred stock are as follows:

***Dividend Provisions***

In each calendar year, the holders of each share of then-outstanding preferred stock shall be entitled to receive, when and if declared by the Board, out of any funds and assets of Apexigen legally available therefore, noncumulative dividends at the annual rate of $0.0408 per share for Series A-1, $0.016 per share for Series A-2, $0.0844 per share for Series B, and $0.124 per share for Series C, prior and in preference to the payment of any dividends on the common stock in such calendar year. Payments of any dividends to the holders of preferred stock shall be on a pro rata, pari passu basis in proportion to the dividend rates for each series of preferred stock. There have been no dividends declared to date.

***Conversion Rights***

Each share of preferred stock is convertible, at the option of the holder of preferred stock, into the number of shares of common stock that results from dividing the original issue price for such series of preferred stock by the conversion price for such series of preferred stock that is in effect at the time of conversion. The initial conversion price for each series of preferred stock is the original issue price for such series of preferred stock. The conversion price of each series of preferred stock may be subject to adjustment from time to time from stock splits, combinations, reorganizations, reclassifications, consolidations, or sales of shares below the applicable conversion price.

All of the preferred stock will automatically convert into fully paid and non-assessable shares of common stock immediately prior to the closing of an underwritten public offering of shares of the common stock of Apexigen pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, covering the offer and sale of common stock provided that the aggregate gross proceeds to Apexigen are not less than $30.0 million or in the event that holders of at least 50% of the outstanding shares of Series A-1, Series B and Series C preferred stock, voting together as a single class and on an as-converted basis, consent to the conversion to common stock.

***Voting Rights***

Each holder of shares of outstanding preferred stock is entitled to cast the number of votes equal to the number of whole shares of common stock into which such shares of preferred stock may convert.

***Liquidation Preference***

In the event of any voluntary or involuntary liquidation, dissolution or winding up of Apexigen, or deemed liquidation event, the funds and assets that may be legally distributed to Apexigen's stockholders will be distributed to the holders of Series C preferred stock in preference to the holders of Series B, Series A-1, Series A-2 and common stock in an amount equal to $1.54974 per share. After the payment in full of the preferred liquidation preference of the Series C, all remaining assets will be distributed to the holders of Series B preferred stock in preference to the holders of Series A-1, Series A-2 and common stock in an amount equal to $1.05496 per share. After the payment in full of the preferred liquidation preference of the Series B, all remaining assets will be distributed to the holders of Series A-1 in preference to the holders of Series A-2 and common stock in an amount equal to $0.51 per share. After the payment in full of the preferred liquidation preference of the Series A-1, all remaining assets will be distributed to the holders of Series A-2 in preference to the holders of common stock in an amount equal to $0.20 per share. After the payment in full of the preferred liquidation preferences of all series of preferred stock, all remaining assets will be distributed to the holders of preferred stock and common stock on an as-converted to common stock basis, provided, however, that the aggregate distributions with respect to any share of preferred stock shall not exceed an amount equal to two times the applicable liquidation preference for that share of preferred stock plus any declared but unpaid dividends. Upon any liquidation, dissolution, or winding up of Apexigen, in the order of liquidation preference, if the available funds and assets are insufficient to permit the payment to holders of the applicable series of preferred stock of their full preferential amount, then the entire available funds and assets will be distributed among the holders of such then-outstanding preferred stock pro rata, according to the number of outstanding shares of preferred stock held by each holder thereof.

**7. Common Stock**

The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders of Apexigen. Subject to the preferences that may be applicable to any outstanding shares of the convertible preferred stock, the holders of the common stock are entitled to receive ratably such dividends, if any, as the Board may declare. The Board has declared no dividends to date.

At June 30, 2022, Apexigen has reserved the following shares of common stock for the following purposes:

| | |
|---|---|
| Series A-1 convertible preferred stock outstanding, as converted | 39,196,116 |
| Series A-2 convertible preferred stock outstanding, as converted | 12,625,343 |
| Series B convertible preferred stock outstanding, as converted | 14,218,546 |
| Series C convertible preferred stock outstanding, as converted | 79,090,623 |
| Options issued and outstanding | 33,755,492 |
| Options available for future grants | 9,048,183 |
| Common stock warrants | 102,998 |
| Series A-2 preferred stock warrant | 27,419 |
| Total common stock reserved for issuance | 188,064,720 |

**8. Clinical Study Agreement Amendment with Parker Institute**

In April 2017, Apexigen entered into a collaboration agreement with Parker Institute for Cancer Immunotherapy ("PICI") for the clinical development of sotiga. Under the terms of the arrangement, PICI funded the cost of a clinical trial of sotiga in combination with other agents in pancreatic cancer, and Apexigen supplied sotiga and provided related services.

In October 2019, Apexigen and PICI amended the agreement to update Apexigen's payment obligations. As a result of the amendment, Apexigen paid $1.0 million and issued 1,290,540 shares of its common stock to PICI as compensation for services previously rendered. The $1.0 million payment and the fair value of the common stock of $0.9 million were recognized immediately as research and development expense. Upon PICI's completion of milestones in 2020, Apexigen recognized $0.7 million in research and development expenses. There were no expenses recognized during the three and six months ended June 30, 2021 and 2022. Future amounts of up to an aggregate of $9.5 million in cash and shares of Apexigen's common stock are payable based on the achievement of certain clinical development milestones, none of which were probable as of June 30, 2022, and no amounts have been recognized.

**9. Stock-Based Compensation**

In December 2010, Apexigen adopted the 2010 Stock Incentive Plan and 2010 Equity Incentive Plan, which expired in 2020. In August 2020, Apexigen adopted the 2020 Equity Incentive Plan (the 2020 Plan and, together with the 2010 Stock Incentive Plan and the 2010 Equity Incentive Plan, the "Plans"). As of June 30, 2022, Apexigen had reserved 42,803,675 shares of common stock for the issuance of incentive and nonstatutory stock options to purchase common stock, stock awards, and restricted stock awards to employees, directors, and consultants under the Plans.

The Board determines the period over which options become exercisable and options generally vest over a four-year period. No option will become exercisable after the expiration of ten years from the date of grant. The term of an incentive stock option ("ISO") granted to a 10% stockholder will not exceed five years from the date of the grant. The exercise price of an ISO and nonstatutory stock option ("NSO") will not be less than 100% of the estimated fair value of the shares on the date of grant, respectively, and the exercise price of an ISO and NSO granted to a 10% stockholder will not be less than 110% of the estimated fair value of the shares on the date of grant.

In February 2021, Apexigen entered into a consulting agreement with a board member and granted an option (the "Stock Option") to acquire 200,000 shares of common stock. The Stock Option vests upon the achievement of certain performance milestones and has a ten-year term. Based on the guidance in ASC Topic 718, *Stock Compensation*, Apexigen concluded that the Stock Option is a performance-based stock option. As determined by the Board of Directors, Apexigen achieved one of the performance milestones under the Stock Option during 2021. As a result, 50,000 options were vested during the three months ended March 31, 2021, and Apexigen recognized $20,000 of stock-based compensation expense in the three months ended March 31, 2021. No other performance milestone was achieved as of June 30, 2022. The unrecognized stock-based compensation expense for this option at June 30, 2022 is approximately $60,000.

Stock-based compensation is included in the statements of operations and comprehensive loss in research and development and general and administrative expense depending on the nature of the services provided. The following table illustrates stock-based compensation expense related to stock options granted under the Plans recognized for three and six months ended June 31, 2021 and 2022 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 |
| Research and development | $ 54 | $ 139 | $ 186 | $ 258 |
| General and administrative | 208 | 229 | 436 | 531 |
| Total stock-based compensation | $ 262 | $ 368 | $ 622 | $ 789 |

During the six months ended June 30, 2021 and 2022, Apexigen granted options to purchase 1,545,000 shares and 5,397,344 shares with a weighted-average exercise price of $0.47 and $0.51 per share, respectively. For the options granted during the six months ended June 30, 2021 and 2022, Apexigen expects to recognize $0.5 million and $1.9 million of stock-based compensation over the related vesting period, respectively. The weighted-average grant date fair value of options granted during the six months ended June 30, 2021 and 2022 was $0.35 and $0.36 per share, respectively. During the six months ended June 30, 2021 and 2022, Apexigen cancelled options to purchase 1,737,530 shares and 5,773,715 shares, respectively. For the six months ended June 30, 2021 and 2022, the aggregate intrinsic value of the options exercised was $0.2 million.

At June 30, 2022, there was $2.6 million of unrecognized stock-based compensation cost related to stock options granted to employees and others under the Plans, which Apexigen expects to recognize over a weighted average period of 2.7 years.

## 10. Commitments and Contingencies

### *Indemnification*

Apexigen has agreed to indemnify the officers and board of directors with respect to the Transaction (see Note 1). Apexigen has agreed to hold them harmless against losses arising from liability claims made by third parties related to the Transaction. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Since these agreements were effective after June 30, 2022, there were no payments made by Apexigen under these agreements as of June 30, 2022. As of June 30, 2022, there was not a reasonable possibility that Apexigen had incurred a material loss with respect to indemnification of such parties. Apexigen had not recorded any liability for costs related to indemnification through June 30, 2022.

### *Other*

No liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded as it is not probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Apexigen enters into contracts in the normal course of business with contract research organizations for preclinical studies and clinical trials and contract manufacturing organizations for the manufacture of clinical trial materials.

## 11. Income Taxes

The effective tax rate for the three months ended June 30, 2021 and 2022 was zero. The difference between the effective income tax rate and the U.S. federal statutory rate of 21% is primarily attributable to recording valuation allowances to offset deferred tax assets arising from federal and state net operating losses.

**12. Net Loss Per Share**

The following outstanding potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share for the periods presented due to their anti-dilutive effect:

| | As of June 30, | |
|---|---|---|
| | 2021 | 2022 |
| Series A-1 convertible preferred stock | 39,196,116 | 39,196,116 |
| Series A-2 convertible preferred stock | 12,625,343 | 12,625,343 |
| Series B convertible preferred stock | 14,218,546 | 14,218,546 |
| Series C convertible preferred stock | 79,090,623 | 79,090,623 |
| Stock options | 34,790,307 | 33,755,492 |
| Common stock warrants | 102,998 | 102,998 |
| Series A-2 preferred stock warrant | 27,419 | 27,419 |
| Total common stock reserved for issuance | 180,051,352 | 179,016,537 |

**13. Subsequent Event**

The Company has evaluated subsequent events through August 18, 2022, and determined that there have been no events that have occurred that would require adjustments to the disclosures in the financial statements.

The Transaction closed on July 29, 2022. Refer to Note 1 for further detail.

# APEXIGEN'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis provide information which Apexigen's management believes is relevant to an assessment and understanding of Apexigen's results of operations and financial condition. You should read the following discussion and analysis of Apexigen's results of operations and financial condition together with Apexigen's financial statements and related notes and other information included elsewhere in the Company's most recent Quarterly Report on Form 10-Q filed August 18, 2022, and in the Company's Current Report on Form 8-K filed August 4, 2022, as amended. This discussion and analysis should also be read together with audited financial statements for the years ended December 31, 2020 and 2021, unaudited condensed financial statements for the three and six months ended June 30, 2021 and 2022, and the unaudited pro forma condensed combined financial information as of June 30, 2022 and for the year ended December 31, 2021 and the six months ended June 30, 2022. In addition to historical financial information, this discussion contains forward-looking statements based upon Apexigen's current expectations that involve risks and uncertainties. Apexigen's actual results could differ materially from such forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in the Company's most recent Quarterly Report on Form 10-Q, filed August 18, 2022, and in the Company's Current Report on Form 8-K filed August 4, 2022, as amended. Unless otherwise indicated or the context otherwise requires, references included in this Apexigen's Management's Discussion and Analysis of Financial Condition and Results of Operations section to "Apexigen," "Apexigen's," and "its" refer to Apexigen.*

## Overview

Apexigen is a clinical-stage biopharmaceutical company focused on discovering and developing a new generation of antibody therapies for oncology, with an emphasis on new immuno-oncology agents designed to harness the patient's immune system to combat and eradicate cancer. Apexigen and its licensees are advancing a pipeline of protein therapeutics that were discovered using our APXiMAB antibody platform. Our clinical-stage pipeline currently consists of several product candidates, including our lead candidate, sotigalimab ("sotiga" or "APX005M"), and five programs that our licensees are developing or commercializing. Apexigen is also advancing through discovery and preclinical development several innovative antibodies Apexigen discovered using its platform.

Since inception, Apexigen has devoted substantially all of its resources to performing research and development activities in support of its product development and licensing efforts. Apexigen does not have any products approved for sale and has not generated any revenue from product sales. Apexigen has funded its operations primarily through the issuance of convertible preferred stock as well as through proceeds from license agreements and borrowings under a debt arrangement. Apexigen's net losses were $7.0 million and $8.1 million for the three months ended June 30, 2021 and 2022, respectively, and $13.5 million and $17.1 million for the six months ended June 30, 2021 and 2022. Apexigen expects to continue to incur significant losses for the foreseeable future. As of June 30, 2022, Apexigen had an accumulated deficit of $161.9 million.

Apexigen expects its operating expenses to increase significantly as Apexigen continues to discover, develop, seek regulatory approvals for and prepare for potential commercialization of Apexigen's product candidates, in particular to advance sotiga into additional and potentially registration-enabling clinical trials and advance APX601 into clinical development. Apexigen's net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of its clinical trials and its expenditures on other research and development activities.

Apexigen will need substantial additional funding, in addition to the net proceeds of the Transaction (as defined below), to support its continuing operations and to pursue its long-term development strategy. Apexigen may seek additional funding through the issuance of Apexigen's common stock, other equity or debt financings or collaborations or partnerships with other companies. The amount and timing of Apexigen's future funding requirements will depend on many factors, including the pace and results of its clinical development efforts for its product candidates and other research, development, manufacturing, and commercial activities.

Apexigen was incorporated in Delaware in 2010, the year Apexigen was spun off from Epitomics, Inc. ("Epitomics"), which was a California-based biotechnology company that was acquired by Abcam PLC ("Abcam") in 2012. Apexigen was spun off from Epitomics to focus on the discovery, development and commercialization of humanized monoclonal antibody therapeutics. Apexigen is headquartered in San Carlos, California.

***COVID-19 Impact and Business Update***

The ongoing COVID-19 pandemic continues to affect economies and business globally. The pandemic may continue to affect Apexigen's business operations such as its ability to initiate and complete ongoing, planned or future clinical trials and preclinical studies. Apexigen anticipates a continued impact in the second half of 2022. Apexigen's ability to raise additional funds to support its operations may also be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the U.S. and worldwide resulting from the ongoing COVID-19 pandemic. Apexigen actively monitors and manages its responses and continues to assess actual and potential impacts onto its operations and financial condition, as well as its business developments.

Apexigen cannot predict the specific extent, duration, or full impact that the COVID-19 pandemic will have on its business, financial condition and operations, including planned research, manufacturing and clinical development timelines. The impact of the COVID-19 pandemic on Apexigen's financial performance will depend on future developments, including the duration of and surges in the pandemic, including due to new variants of the virus, the pandemic's impact on Apexigen's manufacturing activities, clinical trials (including enrollment and operations at clinical trial sites), contract research organizations ("CROs"), and other third parties with whom it does business and the pandemic's impact on Apexigen's employees. These developments and the impact of the COVID-19 pandemic on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets or the overall economy are impacted for an extended period, Apexigen's business may be significantly adversely affected.

***Business Combination Agreement and Related Agreements***

On March 17, 2022, BCAC and Apexigen entered into a definitive business combination agreement ("Business Combination Agreement") pursuant to which BCAC and Apexigen would combine, with the equityholders of both entities holding equity in the Combined Company listed on the Nasdaq Stock Exchange and with Apexigen's equityholders owning a majority of the equity in the Combined Company. The transactions contemplated under the Business Combination Agreement (the "Transaction") closed on July 29, 2022. Apexigen equityholders received equity in the Combined Company in the form of common shares and warrants. Under the Business Combination Agreement, Apexigen was valued at $205.0 million on a fully diluted basis, net of exercise proceeds for Apexigen's pre-closing options. In addition, concurrent with the execution of the Business Combination Agreement, BCAC, Apexigen and Lincoln Park entered into a committed investment agreement under which the Combined Company would have the right to direct Lincoln Park to purchase up to an aggregate of $50 million of common stock of the Combined Company over a 24-month period pursuant to the terms of an investment agreement.

As a result, the Combined Company received approximately $19.0 million in gross proceeds funded by approximately $4.5 million in cash held in BCAC's trust account net of redemption and $14.5 million from the PIPE. The Combined Company incurred $8.9 million in transaction expenses relating to the Transaction, consisting of banking, legal, and other professional fees. The PIPE investors receive an aggregate of 1,452,000 units (each a "PIPE Unit") at a purchase price of $10.00 per unit. Each PIPE Unit consists of one share of BCAC Common Stock and one-half of one warrant. Each whole warrant entitles the PIPE Investor to purchase one share of BCAC Common Stock at an exercise price of $11.50 per share during the period commencing 30 days after July 29, 2022 and terminating on the five-year anniversary of July 29, 2022. The Business Combination was a subsequent event and was not reflected in the disclosure within the management's discussion and analysis as of June 30, 2022 and for the three months and six months ended June 30, 2022.

**Components of Results of Operations**

***Operating Expenses***

*Research and Development Expenses*

Research and development expenses consist primarily of costs incurred for the development of sotiga, Apexigen's lead product candidate, as well as APX601 and other product candidates. Apexigen expenses research

and development costs as incurred. Nonrefundable advance payments that Apexigen makes for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

Research and development expenses include:

- Expenses incurred under agreements with third-party contract research organizations for clinical development;
- Costs related to production of drug substance, drug product and clinical supply, including fees paid to third-party contract manufacturers;
- Laboratory and vendor expenses related to the execution of preclinical activities;
- Employee-related expenses, which include salaries, benefits and stock-based compensation; and
- Facilities, depreciation and amortization, insurance and other direct and allocated expenses incurred in Apexigen's research and development activities

The following table summarizes Apexigen's research and development expenses incurred for the periods presented (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | 2021 | 2022 | 2021 | 2022 |
| | | (Unaudited) | | |
| Clinical development | $ 2,025 | $ 1,599 | $4,091 | $ 3,428 |
| Contract manufacturing | 920 | 2,278 | 1,688 | 5,406 |
| Discovery and non-clinical | 434 | 400 | 952 | 825 |
| Personnel costs | 1,009 | 1,403 | 2,267 | 2,881 |
| Other allocated indirect costs | 270 | 325 | 623 | 573 |
| Total research and development expenses | $ 4,658 | $ 6,005 | $9,621 | $13,113 |

Apexigen expects its research and development expenses to increase substantially for the foreseeable future as Apexigen advances the clinical development of sotiga, including potentially into a registration-enabling clinical trial, and advances APX601 through an Investigational New Drug (IND) application and into clinical development. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming, and the successful development of Apexigen's product candidates is highly uncertain. As a result, Apexigen is unable to determine the duration and completion costs of Apexigen's research and development projects or when and to what extent Apexigen will generate revenue from the commercialization and sale of any of Apexigen's product candidates.

*General and Administrative Expenses*

General and administrative expenses consist of salaries, benefits, and stock-based compensation expense for personnel in executive, operations, legal, human resources, finance and administrative functions, professional fees for legal, patent, consulting, accounting and audit services, and allocated expenses for technology and facilities. Apexigen expenses general and administrative costs in the periods in which they are incurred.

Apexigen expects that its general and administrative expenses will increase substantially over the next several years as Apexigen hires additional personnel to support the continued research and development of its products and growth of its business. Following the completion of the Merger, Apexigen also anticipates that Apexigen will incur significant additional expenses related to compliance with the rules and regulations of the SEC, Sarbanes Oxley Act and the listing standards of Nasdaq, additional corporate, director and officer insurance expenses, increased legal, audit and consulting fees and greater investor relations expenses. As a result, Apexigen expects that the general and administrative expenses will increase in future periods in the near-term.

***Interest Income, Net***

Interest income primarily relates to interest income on its cash, cash equivalents and short-term investments. Other expense relates to fees related to its short-term investments.

**Results of Operations**

**Comparison of the Three and Six Months Ended June 30, 2021 and 2022**

The following table presents Apexigen's statement of operations data for the three and six months ended June 30, 2021 and 2022, and the dollar and percentage change between the two periods (in thousands):

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | $ Change | % Change | 2021 | 2022 | $ Change | % Change |
| | (Unaudited) | | | | (Unaudited) | | | |
| Operating expenses: | | | | | | | | |
| Research and development | $ 4,658 | $ 6,005 | $ 1,347 | 28.9% | $ 9,621 | $ 13,113 | $ 3,492 | 36.3% |
| General and administrative | 2,389 | 2,139 | (250) | -10.5% | 3,928 | 4,124 | 196 | 5.0% |
| Total operating expenses | 7,047 | 8,144 | 1,097 | 15.6% | 13,549 | 17,237 | 3,688 | 27.2% |
| Loss from operations | (7,047) | (8,144) | (1,097) | 15.6% | (13,549) | (17,237) | (3,688) | 27.2% |
| Interest income, net | 12 | 40 | 28 | 233.3% | 27 | 91 | 64 | 237.0% |
| Net loss | $(7,035) | $(8,104) | $(1,069) | 15.2% | $(13,522) | $(17,146) | $(3,624) | 26.8% |

***Costs and Expenses***

*Research and Development*

Research and development expenses increased by $1.3 million, or 28.9%, from $4.7 million for the three months ended June 30, 2021 to $6.0 million for the three months ended June 30, 2022. The increase primarily relates to an increase of $1.3 million in contract manufacturing. Apexigen does not track its research and development expenses by product candidate. Certain fluctuations in research and development expenses can however be partially attributed to specific product candidates, and such detail is disclosed as applicable below.

The $1.3 million increase in contract manufacturing costs was primarily due to a $1.8 million increase in sotigalimab, partially offset by a $0.5 million decrease in APX601 contract manufacturing as the Company completed its GMP drug substance manufacturing run in the three months ended June 30, 2022.

Research and development increased by $3.5 million, or 36.3%, from $9.6 million for the six months ended June 30, 2021 to $13.1 million for the six months ended June 30, 2022. The increase primarily relates to an increase of $3.7 million in contract manufacturing, partially offset by the decrease of $0.2 million in discovery and other non-clinical costs.

The $3.7 million increase in contract manufacturing costs was primarily due to a $3.5 million increase related to sotigalimab manufacturing costs and a $0.4 million increase in APX601 resulting from a GMP drug substance manufacturing run incurred in the first quarter of 2022, partially offset by a $0.2 million decrease related to APX701.

*General and Administrative*

General and administrative expenses decreased by $0.3 million, or 10.5%, from $2.4 million for the three months ended June 30, 2021 to $2.1 million for the three months ended June 30, 2022. The decrease is primarily attributable to a $0.3 million decrease in spending on professional services.

General and administrative expenses increased by $0.2 million, or 5.0%, from $3.9 million for the six months ended June 30, 2021 to $4.1 million for the six months ended June 30, 2022. The increase is primarily attributable to a $0.2 million increase in compensation.

*Interest Income, Net*

Interest income, net, was not significant for the three and six months ended June 30, 2021 and 2022.

**Liquidity and Capital Resources**

Since inception through June 30, 2022, Apexigen has not generated any revenue from product sales and has incurred significant operating losses and negative cash flows from its operations. Apexigen's net losses were $7.0 million and $8.1 million for the three months ended June 30, 2021 and 2022, respectively, and $13.5 million and $17.1 million for the six months ended June 30, 2021 and 2022, respectively. As of June 30, 2022, Apexigen had an accumulated deficit of $161.9 million. Apexigen has funded its operations to date primarily through the issuance of convertible preferred stock as well as through proceeds from license agreements and borrowings under a debt arrangement and will continue to be dependent upon equity and/or debt financings or collaboration-related revenue until Apexigen is able to generate positive cash flows from its operations. As of June 30, 2022, Apexigen had $21.6 million in cash, cash equivalents and short-term investments. Apexigen's cash and cash equivalents consist primarily of bank deposits and money market funds. Apexigen's short-term investments consist of government debt securities, corporate debt securities, commercial paper and asset-backed securities.

***Funding Requirements***

Apexigen's primary use of cash, cash equivalents, and short-term investments is to fund operating expenses, which consist primarily of research and development expenditures related to Apexigen's programs, and to a lesser extent, general and administrative expenditures. Apexigen plans to increase Apexigen's research and development expenses for the foreseeable future as Apexigen continues the clinical development of Apexigen's current and future product candidates. At this time, due to the inherently unpredictable nature of clinical development and the impact of the COVID-19 pandemic, Apexigen cannot reasonably estimate the costs Apexigen will incur and the timelines required to complete development, obtain marketing approval, and commercialize Apexigen's current product candidate or any future product candidates. For the same reasons, Apexigen is also unable to predict when, if ever, Apexigen will generate revenue from product sales or Apexigen's current or any future license agreements that Apexigen may enter into or whether, or when, if ever, Apexigen may achieve profitability. Clinical and preclinical development timelines, the probability of success, and development costs can differ materially from expectations. In addition, Apexigen cannot forecast the timing and amounts of milestone, royalty and other revenue from licensing activities, which future product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect Apexigen's development plans and capital requirements.

Apexigen's future funding requirements will depend on many factors, including the following:

- the progress, timing, scope, results and costs of Apexigen's clinical trials and preclinical studies for Apexigen's product candidates, including the ability to enroll patients in a timely manner for Apexigen's clinical trials;
- the costs of obtaining clinical and commercial supplies and validating the commercial manufacturing process for sotigalimab and any other product candidates;
- Apexigen's ability to successfully commercialize sotigalimab and any other product candidates;
- the cost, timing and outcomes of regulatory approvals;
- the extent to which Apexigen may acquire or in-license other product candidates and technologies;
- the timing and amount of any milestone, royalty or other payments Apexigen is required to make pursuant to any current or future collaboration or license agreement;
- the extent to which Apexigen receives royalty payments though Apexigen's current or any future partnership arrangements;
- Apexigen's ability to attract, hire and retain qualified personnel;
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; and
- the impact of the ongoing COVID-19 pandemic, which may exacerbate the magnitude of the factors discussed above.

Due to Apexigen's significant research and development expenditures, Apexigen has generated operating losses in all periods presented. Apexigen expects to incur substantial additional losses in the future as Apexigen expands its research and development activities. Based on its research and development plans, there is uncertainty regarding Apexigen's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to its ability to continue as a going concern. There can be no assurance that such additional capital, whether in the form of debt or equity financing, will be sufficient or available and, if available, that such capital will be offered on terms and conditions acceptable to Apexigen.

In addition to the proceeds that were received from the proposed business combination transaction, including the related PIPE, Apexigen may seek additional funds through the sale and issuance of shares of its common stock in private or public offerings, other equity or debt financings, its committed investment agreement with Lincoln Park, collaborations or partnerships with third parties, or other transactions to monetize assets, including Apexigen's right to receive milestone payments and royalties under Apexigen's out-license arrangements. Apexigen cannot assure that Apexigen will succeed in acquiring additional funding at levels sufficient to fund its operations or on terms favorable to Apexigen. If Apexigen is unable to obtain adequate financing when needed, Apexigen may have to delay, reduce the scope of or suspend one or more of its clinical trials or preclinical studies or research and development programs. Because of the numerous risks and uncertainties associated with the development and commercialization of Apexigen's product candidates, Apexigen is unable to estimate the amount of increased capital outlays and operating expenditures associated with Apexigen's current and planned research, development and manufacturing activities.

To the extent that Apexigen raises additional capital through strategic alliances or licensing arrangements with third parties, Apexigen may have to relinquish valuable rights to Apexigen's product candidates, future revenue streams or research programs or to grant licenses on terms that may not be favorable to Apexigen. If Apexigen raises additional capital through public or private equity offerings, the ownership interest of Apexigen's then-existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect Apexigen's stockholders' rights. If Apexigen raises additional capital through debt financing, Apexigen may be subject to covenants limiting or restricting Apexigen's ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

***Cash Flows***

The following table summarizes Apexigen's cash flow data for the periods presented (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2022 |
| | (Unaudited) | |
| Net cash used in operating activities | $(13,432) | $(14,142) |
| Net cash provided by investing activities | 10,297 | 2,919 |
| Net cash (used in) provided by financing activities | 24 | (576) |

**Comparison of the Six Months Ended June 30, 2021 and 2022**

***Operating Activities***

For the six months ended June 30, 2021, cash used in operating activities was $13.4 million, which consisted of a net loss of $13.5 million, adjusted by non-cash charges of $1.1 million and a net change of $1.0 million in our net operating assets and liabilities. The non-cash charges are primarily comprised of $0.6 million for stock-based compensation expense, $0.3 million for non-cash lease expense, $0.1 million for accretion of discounts and amortization of premiums on marketable securities, and $0.1 million for depreciation expense. The change in our net operating assets and liabilities was primarily due to a decrease of $1.5 million related to increased prepaid expenses and decreased accounts payable and a decrease of $0.3 million in cash lease payments, partially offset by an increase of $0.8 million in deferred revenue for the royalty payment received during the six months ended June 30, 2022.

For the six months ended June 30, 2022, cash used in operating activities was $14.1 million, which consisted of a net loss of $17.1 million, adjusted by non-cash charges of $1.1 million and a net change of $2.0 million in our net operating assets and liabilities. The non-cash charges are primarily comprised of $0.8 million for stock-based compensation expense, $0.2 million for non-cash lease expense, and $0.1 million for depreciation expense. The change in our net operating assets and liabilities was primarily due to an increase of $2.0 million in accounts payable as a result of timing of payments.

Changes in prepaid expenses and other current assets, accounts payable and accrued liabilities were generally due to the advancement of our research programs and the timing of vendor payments.

***Investing Activities***

For the six months ended June 30, 2021 and 2022, cash provided by investing activities was $10.3 million and $2.9 million, respectively. The change in cash flows from investing activities was principally from the timing of purchases and sales of marketable securities.

***Financing Activities***

Net cash provided by financing activities for the six months ended June 30, 2021 was not significant. Net cash used in financing activities for the six months ended June 30, 2022 was $0.6 million. The increase in cash used in financing activities was primarily the cash paid for deferred offering costs during the period.

**Contractual Obligations**

Apexigen leases its principal facility under a non-cancelable operating lease agreement with a lease term ending in April 2023. In April 2021, Apexigen entered into a sublease arrangement for additional office space which expired on December 31, 2021. Total expense incurred under the sublease arrangement was $52,000 for the year ended December 31, 2021.

In addition, Apexigen has entered into certain licensing agreements pursuant to which Apexigen will owe royalty payments if and when Apexigen sublicenses or commercializes certain of Apexigen's products, as well as certain collaboration agreements pursuant to which Apexigen may in the future owe certain amounts to Apexigen's collaboration partners upon the achievement of certain milestones. Because these obligations are uncertain, and their timing and amount are not known, they are not included in the table above. These agreements are described in more detail in the section titled "*Licensing and Other Arrangements*" below.

Apexigen also enters into agreements in the normal course of business with contract research organizations for clinical trials, preclinical studies, manufacturing and other services and products for operating purposes, which are generally cancelable upon written notice. These obligations and commitments are also not included in the table above.

**Licensing and Other Arrangements**

Apexigen has entered into royalty-bearing license agreements and partnership agreements. Under the terms of these agreements described below, Apexigen has the right to collect, or is obligated to pay, certain milestone payments upon the achievement of specified pre-clinical, clinical or commercial milestones.

***Beovu® and Antibody Candidate Discovery and Development Agreement with Novartis***

Apexigen has an agreement with Novartis relating to antibodies that Epitomics generated that target certain molecules which were used to develop antibody product candidates. Under the agreement, Novartis has a non-exclusive, irrevocable, worldwide, sublicensable, royalty-bearing and perpetual license to Apexigen's rights in certain intellectual property to develop and commercialize those drug product candidates. Pursuant to the terms of the agreement, the upfront fee and all milestone payments due upon the achievement of certain pre-clinical and clinical development milestones have been paid. Novartis remains obligated to pay Apexigen a very low single-digit royalty on net sales of the Beovu (brolucizumab-dbll) product for therapeutic uses by Novartis, its affiliates or licensees.

In October 2019, Novartis' Beovu was approved for commercial sale. Novartis has disputed its obligation to pay Beovu royalties to Apexigen and continues to pay such royalties under protest. As a result, Apexigen has determined that any sales-based royalty revenue that Apexigen may earn under this agreement is currently fully constrained. Apexigen has recorded the Beovu royalty proceeds as deferred revenue in the balance sheets. Deferred revenue totaled $3.6 million and $4.6 million as of December 31. 2021 and June 30, 2022, respectively.

***Other Agreements***

Apexigen has entered into certain other partnership program agreements that may eventually lead to royalty payments or other payments to Apexigen, but Apexigen does not anticipate any potential payments under these agreements in the foreseeable future, if at all.

***Clinical Collaborations***

Apexigen has entered into a number of collaboration arrangements for the clinical development of sotigalimab with companies and academic and non-profit institutions. These arrangements specify whether Apexigen and/or the collaborator bears the cost of the clinical trials, and in the case of combination therapies, typically the collaborators provide the supply of such drug products while Apexigen supplies sotigalimab. Apexigen's applicable share of the costs of these clinical collaborations are reflected in its research and development expenses.

Apexigen entered into an agreement with the PICI whereby PICI sponsored a Phase 1b/2 clinical trial, APX005M-004, to evaluate the combination of sotigalimab with gemcitabine and nab-paclitaxel, with and without nivolumab, in patients with metastatic pancreatic adenocarcinoma. PICI funded the cost of the study, and Apexigen supplied sotigalimab and provide related services at no cost to PICI.

In October 2019, Apexigen amended the PICI agreement. As a result of the amendment, Apexigen paid $1.0 million in cash and issued 1,290,540 shares of Apexigen's common stock to PICI as compensation for services PICI rendered. The cash payment and the fair value of the common stock of $0.9 million were recognized immediately as research and development expense. Upon completion of the other milestones, Apexigen recognized $0.7 million in research and development expenses for the year ended December 31, 2020. There were no expenses recognized during the year ended December 31, 2021 and six months ended June 30, 2022.

Upon achievement of certain regulatory and clinical milestones related to the development of sotigalimab in pancreatic cancer, Apexigen will be obligated to pay an aggregate of up to $9.5 million in cash and shares of Apexigen's common stock. Because Apexigen is not currently advancing the development of sotiga in pancreatic cancer, none of these milestones was probable as of June 30, 2022, and no amounts have been recognized.

**Off-Balance Sheet Arrangements**

Apexigen does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future significant effect on Apexigen's financial condition, results of operations, liquidity or cash flows.

**Critical Accounting Policies and Estimates**

Apexigen's financial statements are prepared in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires Apexigen's management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Apexigen evaluates its significant estimates on an ongoing basis, including estimates related to accruals for research and development costs, stock-based compensation and uncertain tax positions. Apexigen bases its estimates on historical experience and on various other assumptions that Apexigen believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Apexigen believes that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, Apexigen believes these are the most critical to aid in fully understanding and evaluating its financial condition and results of operations. For further information, see Note 2, *Summary of Significant Accounting Policies*, to the financial statements included in the Company's Current Report on Form 8-K filed August 4, 2022, as amended.

***Emerging Growth Company***

Apexigen is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. Apexigen has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, Apexigen, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of Apexigen's financial statements with another public company, which is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

***Revenue Recognition***

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, Apexigen recognizes revenue when Apexigen transfers promised goods or services to customers in an amount that reflects the consideration to which Apexigen expects to be entitled in exchange for those goods or services. Apexigen has not commenced sales of its monoclonal antibodies and did not have a product available for market as of June 30, 2022.

Apexigen has other license agreements with third parties, under which Apexigen may also earn contingent fees including milestone payments based on counterparty performance and royalties on sales. Apexigen will recognize milestone payments as revenue once the underlying events are probable of being met and there is not a significant risk of reversal. Apexigen will recognize sales-based royalties as revenue when the underlying sales occur.

For more information on revenue recognition, see Note 2, *Summary of Significant Accounting Policies*, to the financial statements included in the Company's Current Report on Form 8-K filed August 4, 2022, as amended.

***Research and Development Expenses***

Research and development costs are expensed as incurred. Research and development consist of costs incurred for the development of sotiga, Apexigen's lead product candidate, as well as APX601 and other product candidates. Research and development costs consist primarily of external costs related to clinical development, contract manufacturing, preclinical development and discovery as well as personnel costs and allocated overhead, such as rent, equipment, depreciation and utilities. Personnel costs consist of salaries, employee benefits and stock-based compensation.

Apexigen estimates external research and development expenses based on the services performed, pursuant to contracts with commercial and academic institutions that conduct and manage research and development services on Apexigen's behalf. Apexigen records the costs of research and development activities based upon the estimated amount of services provided but not yet invoiced and includes these costs in accrued liabilities in the balance sheets. These costs are a component of Apexigen's research and development expenses. Apexigen accrues for these costs based on factors such as the numbers of subject visits, the number of active patients, the numbers of patient enrolled, and estimates of the work completed and other measures in accordance with agreements established with its third-party service providers. As actual costs become known, Apexigen adjusts its accrued liabilities. Apexigen has not experienced any significant differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed may vary from Apexigen's estimates, resulting in adjustments to expenses in future periods. Changes in these estimates that result in significant changes to Apexigen's accruals could significantly affect its results of operations.

Nonrefundable advance payments for goods or services to be received in the future for use in research and development are capitalized and then expensed as the related goods are delivered or the services are performed. Apexigen evaluates such payments for current or long-term classification based on when they will be realized.

***Fair Value Measurements***

Apexigen applies fair value accounting to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The carrying amount of Apexigen's financial assets and liabilities, including accounts payable and accrued expenses, approximate their fair values due to their short-term maturities.

For more information, see Note 3, *Fair Value Measurement*, to the financial statements included in the Company's Current Report on Form 8-K filed August 4, 2022, as amended.

***Stock-based Compensation***

Stock-based compensation, inclusive of stock options with only a service condition and stock options with performance conditions, are awarded to Apexigen's officers, directors, employees, and certain non-employees.

Apexigen accounts for stock-based compensation in accordance with ASC Topic 718, "*Compensation—Stock Compensation*." Apexigen measures all stock-based awards granted to employees and non-employees based on the estimated grant date fair value. For awards subject to service-based vesting conditions, Apexigen recognizes stock-based compensation expense on a straight-line basis over the requisite service period, which is generally the vesting term. For awards subject to performance-based vesting conditions, Apexigen recognizes stock-based compensation expense using the accelerated attribution method when it is probable that the performance condition will be achieved. Apexigen recognizes forfeitures as they occur.

Apexigen calculates the fair value of stock options using the Black-Scholes option pricing model and recognize expense using the straight-line attribution approach. The Black-Scholes option pricing model requires inputs based on certain subjective assumptions, including the fair value of Apexigen's common stock, the expected term of the awards, expected stock price volatility, the risk-free interest rate for a period that approximates the expected term of the awards and Apexigen's expected dividend yield.

*Expected Term*—Apexigen determines the expected life of options granted using the "simplified" method. Under this approach, Apexigen presumes the expected terms to be the mid-point between the weighted-average vesting term and the contractual term of the option. The simplified method makes the assumption that the award recipient will exercise share options evenly over the period when the share options are vested and ending on the date when the share options would expire.

*Risk-Free Interest Rate*—Apexigen bases the risk-free interest rate from the U.S. Treasury yield curve in effect at the measurement date with maturities approximately equal to the expected term.

*Expected Volatility*—Because Apexigen's stock is not traded in an active market, Apexigen calculates volatility by using the historical volatilities of the common stock of comparable publicly traded companies. The historical volatility data was computed using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards. Apexigen will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available.

*Expected Dividends*—Apexigen has never paid cash dividends on Apexigen's common stock and does not have plans to pay cash dividends in the future. Therefore, Apexigen uses an expected dividend yield of zero.

*Common Stock Valuation*—Given the absence of a public trading market of Apexigen's common stock, the Board considers numerous subjective and objective factors to determine the best estimate of fair value of Apexigen's common stock underlying the stock options granted to its employees and non-employees. In determining the grant date fair value of its common stock, Apexigen uses certain assumptions, including probability weighting events, volatility, time to liquidation, risk-free interest rate, and assumption for a discount for lack of marketability. Apexigen uses a hybrid of the Option Pricing Model ("OPM") and the Probability-Weighted Expected Return Method ("PWERM") for determining its enterprise value. Application of these methods involves the use of estimates, judgments, and assumptions that are complex and subjective, such as those regarding Apexigen's expected future revenue, expenses, and cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of future events. Following completion of the Merger, the Board intends to determine the fair value of the common stock based on the closing price of the common stock on or around the date of grant.

As of June 30, 2022, the unrecognized stock-based compensation expense related to stock options was $2.6 million and is expected to be recognized as expense over a weighted-average period of approximately 2.7 years.

For more information, see Note 10, *Stock-Based Compensation*, to the financial statements included in the Company's Current Report on Form 8-K filed August 4, 2022, as amended.

**New Accounting Pronouncements**

See Note 2, *Summary of Significant Accounting Policies*, to Apexigen's financial statements included in the Company's Current Report on Form 8-K filed August 4, 2022, as amended.

**Quantitative and Qualitative Disclosures about Market Risk**

Apexigen is exposed to certain credit and interest rate risks as part of Apexigen's ongoing business operations.

***Credit Risk***

Apexigen is exposed to credit risk on Apexigen's investment portfolio. Investments that potentially subject Apexigen to credit risk consist principally of cash, cash equivalents and short-term investments. Apexigen places its cash, cash equivalents and short-term investments with financial institutions with high credit standing and its excess cash in marketable investment grade securities. Apexigen's short-term investments consist of government debt securities, corporate debt securities, commercial paper, and asset backed securities.

***Interest Rate Risk***

Apexigen had cash, cash equivalents and short-term investments of $36.4 million and $21.6 million as of December 31, 2021 and June 30, 2022, respectively. The primary goals of Apexigen's investment policy are liquidity and capital preservation. Apexigen does not enter into investments for trading or speculative purposes. Apexigen believes that Apexigen does not have any significant exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of Apexigen's cash and cash equivalents. Declines in interest rates, however, would reduce future investment income. A hypothetical 1.00% (100 basis points) increase in interest rates would not have materially impacted the fair value of Apexigen's short-term investments as of December 31, 2021 and June 30, 2022. If overall interest rates had increased or decreased by 1.00% (100 basis points), Apexigen's interest income would not have been materially affected during the year ended December 31, 2021 or six months ended June 30, 2022.

***Effects of Inflation***

Inflation generally affects Apexigen by increasing Apexigen's cost of labor and research and development contracts. Apexigen does not believe that inflation has had a significant effect on Apexigen's financial results during the periods presented. However, to the extent that the inflation the United States has recently been experiencing results in rising interest rates and has other adverse effects on the market, it may adversely affect our future consolidated financial condition and results of operations.

**Exhibit 99.3**

# UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

*Capitalized terms used but not defined in this Exhibit 99.3 shall have the meanings ascribed to them in the Current Report on Form 8-K (the "Form 8-K") filed with the Securities and Exchange Commission (the "SEC") on August 4, 2022, as amended, and, if not defined in the Form 8-K, the definitive proxy statement/prospectus/information statement filed by BCAC with the Securities and Exchange Commission (the "SEC") on June 30, 2022 (the "Proxy Statement").*

Unless the context otherwise requires, all references to (i) the "Combined Company" refer to the entity formerly known as Brookline Capital Acquisition Corp., which is now named Apexigen, Inc. after giving effect to the Business Combination; (ii) "Legacy Apexigen" refer to the entity formerly known as Apexigen, Inc., which is now named Apexigen America, Inc. after giving effect to the Business Combination; and (iii) "BCAC" refer to Brookline Capital Acquisition Corp. prior to giving effect to the Business Combination.

The Combined Company is providing the following unaudited pro forma condensed combined financial information to aid in the analysis of the financial aspects of the Merger and other events contemplated by the Business Combination Agreement. The following unaudited pro forma condensed combined financial information presents the combination of the financial information of BCAC and Legacy Apexigen, adjusted to give effect to the Merger and other events contemplated by the Business Combination Agreement. The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses" ("Article 11 of Regulation S-X").

The unaudited pro forma condensed combined financial statements give effect to the Merger and other events contemplated by the Business Combination Agreement as described in this Form 8-K. The unaudited pro forma condensed combined balance sheet as of June 30, 2022 combines the historical unaudited condensed balance sheet of Legacy Apexigen with the historical unaudited condensed balance sheet of BCAC on a pro forma basis as if the Merger and the other events contemplated by the Business Combination Agreement, summarized below, had been consummated on June 30, 2022. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2022 combines the historical unaudited condensed statement of operations of Legacy Apexigen for the six months ended June 30, 2022 and the historical unaudited condensed statement of operations of BCAC for the six months ended June 30, 2022, giving effect to the transaction as if the Merger and other events contemplated by the Business Combination Agreement had been consummated on January 1, 2021. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 combines the historical audited statement of operations of BCAC for the year ended December 31, 2021, with the historical audited statement of operations of Legacy Apexigen for the year ended December 31, 2021, giving effect to the transaction as if the Merger and other events contemplated by the Business Combination Agreement had been consummated on January 1, 2021.

The unaudited pro forma condensed combined financial statements have been prepared for informational purposes only and are not necessarily indicative of what the Combined Company's condensed financial position or results of operations actually would have been had the Business Combination been consummated prior to June 30, 2022, nor are they necessarily indicative of future results of operations. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the Combined Company.

The unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the following historical financial statements and the accompanying notes:

- audited historical financial statements of BCAC for the year ended December 31, 2021 included in the Proxy Statement and incorporated by reference;
- unaudited historical condensed financial statements of BCAC as of and for the six months ended June 30, 2022 included in Apexigen, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on August 18, 2022 and incorporated by reference;

- audited historical financial statements of Legacy Apexigen for the year ended December 31, 2021 included in the Proxy Statement and incorporated by reference;
- unaudited historical condensed financial statements of Legacy Apexigen as of and for the six months ended June 30, 2022 included as Exhibit 99.1 to this Amendment No. 1 to Current Report on Form 8-K/A and are incorporated herein by reference; and
- other information relating to BCAC and Apexigen included in the Proxy Statement and incorporated by reference, including the Business Combination Agreement and the description of certain terms thereof and the financial and operational condition of BCAC and Apexigen (see "*Proposal No. 1—The Business Combination Agreement," "BCAC Management's Discussion and Analysis of Financial Condition and Results of Operations,"* and *"Apexigen Management's Discussion and Analysis of Financial Condition and Results of Operations")*.

**Description of the Merger**

Pursuant to the Business Combination Agreement, Merger Sub merged with and into Legacy Apexigen, with Legacy Apexigen surviving the Merger and thereby becoming a wholly owned subsidiary of BCAC. In connection with the Merger, Legacy Apexigen was renamed "Apexigen America, Inc." and BCAC was renamed as "Apexigen, Inc." (hereafter referred to as Apexigen). The Merger consideration paid to the Legacy Apexigen equity holders at the Closing pursuant to the Business Combination Agreement has deemed to have a value of $205 million, assuming a deemed value of $10.00 per BCAC common share. Upon the consummation of the Merger, each share of Legacy Apexigen capital stock was converted into the right to receive shares of Combined Company common stock. Each share of Legacy Apexigen capital stock received a deemed value of $9.76 per share, assuming a deemed value of $10.00 per BCAC common share, after giving effect to the exchange ratio of 0.102448 (the "Exchange Ratio").

Following the Merger and related events, 18,151,571 shares of Combined Company common stock were issued to Legacy Apexigen's equity holders and are outstanding, 1,452,000 shares of Combined Company common stock and 726,000 Public Warrants were issued and are outstanding related to the PIPE Units, 2,875,000 Public Warrants remain issued and outstanding, 123,500 Private Warrants remain issued and outstanding, 150,000 shares of Combined Company common stock were issued to Lincoln Park as consideration under the Lincoln Park Purchase Agreement and are outstanding, Combined Company Warrants related to the exchange of a Legacy Apexigen Warrant and exercisable for 4,321 shares of Combined Company common stock is outstanding, and Combined Company Options related to the exchange of Legacy Apexigen Options and exercisable for 3,415,868 of Combined Company common stock are outstanding. Following the Merger and related events, 442,985 shares of Combined Company common stock held by BCAC stockholders prior to the Closing remain issued and outstanding. Following the Merger and related events, 1,190,979 shares of Combined Company held by the Sponsor, comprised of Founder Shares and BCAC Common Stock issued in the Private Placement, remain issued and outstanding. Following the Merger and related events, 57,500 shares of Combined Company common stock held by the BCAC IPO Underwriter and Certain of Its Employees remain issued and outstanding.

The following transactions constituting the Merger took place as contemplated by the Business Combination Agreement:

- the Merger of Merger Sub, the wholly owned subsidiary of BCAC, with and into Legacy Apexigen, with Legacy Apexigen as the surviving company;
- the cancellation of each issued and outstanding share of Legacy Apexigen's capital stock (including shares of Apexigen capital stock resulting from the conversion of Legacy Apexigen's preferred stock or the exercise of Legacy Apexigen Options or Legacy Apexigen Warrants) and the conversion into the right to receive a number of shares of Combined Company common stock based on the Exchange Ratio;
- the conversion on a net-exercise basis of one Legacy Apexigen Warrant (the "Convertible Warrant"), pursuant to its terms, immediately prior to the Closing into shares of Combined Company common stock based on the Exchange Ratio;

- the exchange of an outstanding Legacy Apexigen Warrant (other than the Convertible Warrant) into a warrant exercisable for shares of Combined Company common stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted using the Exchange Ratio; and
- the exchange of all outstanding vested and unvested Legacy Apexigen Options into Combined Company Options exercisable for shares of Combined Company common stock with the same terms. except for the number of shares exercisable and the exercise price, each of which was adjusted using the Exchange Ratio.

**Other Related Events in Connection with the Merger**

Other related events that are contemplated to take place in connection with the Merger are summarized below:

- PIPE Investment: Issuance and sale of 1,452,000 PIPE Units at a purchase price of $10.00 per unit pursuant to the PIPE Investment. The PIPE Investors purchased units, each of which includes one share of Combined Company common stock and one-half of one warrant to purchase a share of Combined Company common stock. The PIPE Investment resulted in the issuance of 1,452,000 shares of Combined Company common stock and 726,000 PIPE Warrants. In addition, shortly after the Closing Apexigen anticipates issuing and selling 50,000 additional PIPE Units for proceeds of $500,000. These additional PIPE Units have not been reflected in the pro forma.
- Lincoln Park Purchase Arrangement: BCAC, Legacy Apexigen and Lincoln Park entered into a purchase agreement pursuant to which the Combined Company may direct Lincoln Park to purchase up to $50.0 million of Combined Company common stock from time to time over a 24-month period following the Closing, subject to certain limitations contained in the Lincoln Park Purchase Agreement. At the Closing, the Combined Company issued 150,000 shares of Combined Company common stock to Lincoln Park. 90 days after the Closing, the Combined Company is obligated to issue $1.5 million of shares of Combined Company common stock to Lincoln Park at a price per share equal to the arithmetic average of the closing sale price for Combined Company common stock during the 10 consecutive business days immediately preceding the share delivery date, not to exceed 500,000 shares.
- Forfeited Sponsor Shares: In connection with the Closing, the Sponsor forfeited 436,021 shares of common stock.
- BCAC Stockholder Redemptions: On April 26, 2022, BCAC held a special meeting of its stockholders. BCAC stockholders approved a proposal to amend BCAC's Amended and Restated Certificate of Incorporation to extend the date by which BCAC must consummate a business combination transaction from May 2, 2022 on a monthly basis up to November 2, 2022. In connection with this special meeting, BCAC Public Stockholders elected to redeem 688,408 shares of common stock for total redemption proceeds of $7.0 million (the "April Partial Redemption"). The April Partial Redemption is reflected in the unaudited historical condensed financial statements of BCAC as of June 30, 2022. In addition, BCAC Public Stockholders elected to redeem 4,618,607 additional shares of Combined Company common stock for $47.2 million upon the Merger Closing (the "Closing Redemption"). These redemptions have been reflected below.
- Sponsor Extension Note: In May and June 2022, BCAC issued non-convertible unsecured promissory notes in the principal amount of $0.5 million to the Sponsor ("Extension Notes") in exchange for funds that were deposited into the Trust Account. The Extension Notes were issued in connection with the approval of the Amendment to BCAC's Amended and Restated Certificate of Incorporation and extension (the "Extension") of the date by which the Company was required to consummate a business combination transaction from May 2, 2022 (the date which was 15 months from the closing date of the Company's initial public offering of units) and constitute monthly contributions. The Sponsor was repaid in cash upon the Merger Closing. These transactions have been reflected below.

- Sponsor Working Capital Note: On May 2, 2022, BCAC issued an additional convertible unsecured promissory note (the "Working Capital Note") in the principal amount of $0.4 million to the Sponsor. The Working Capital Note was issued to provide BCAC with additional working capital during the Extension and will not be deposited into the Trust Account. BCAC issued the Working Capital Note in consideration for a loan from the Sponsor to fund BCAC's working capital requirements. As of the Closing Date, approximately $0.4 million was drawn and approximately $65,000 was not drawn of the Working Capital Note principal amount. The Working Capital Note was settled in cash upon the Merger closing.

**Basis of Pro Forma Presentation**

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X. The adjustments in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an illustrative understanding of Combined Company upon consummation of the Merger in accordance with GAAP. Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial information are described in the accompanying notes.

The unaudited pro forma condensed combined financial information has been presented for illustrative purposes only and is not necessarily indicative of the operating results and financial position that would have been achieved had the Merger occurred on the dates indicated. Any net cash proceeds remaining after the consummation of the Merger and the other related events contemplated by the Business Combination Agreement are expected to be used for general corporate purposes. The unaudited pro forma condensed combined financial information does not purport to project the future operating results or financial position of Combined Company following the completion of the Merger. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma condensed combined financial information and are subject to change as additional information becomes available and analyses are performed. BCAC and Legacy Apexigen did not have any historical relationship prior to the discussion of the Merger. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

Pursuant to its certificate of incorporation and as contemplated by the Business Combination Agreement, BCAC provided the holders of BCAC Common Stock the opportunity to redeem the outstanding shares of BCAC Common Stock for cash equal to their pro rata share of the aggregate amount on deposit in the Trust Account as of two business days prior to the consummation of the transactions (including interest earned on the funds held in the Trust Account, net of taxes). The per share redemption amount was approximately $10.10 in the April Partial Redemption and was approximately $10.22 in the Closing Redemption.

The following table presents the selected pro forma information after giving effect to the Merger and other events contemplated by the Business Combination Agreement and the April Partial redemption. This scenario includes the April Partial Redemption and the Closing Redemption, following which 442,985 shares of BCAC Common Stock remain outstanding after the completion of the Merger. The following summarizes the pro forma shares of the Combined Company common stock issued and outstanding immediately after the Merger:

| | Shares | % |
|---|---|---|
| BCAC Public Stockholders (1) | 442,985 | 2.1% |
| Sponsor (2) | 1,190,979 | 5.6% |
| BCAC IPO Underwriter and Certain of Its Employees (3) | 57,500 | 0.2% |
| Legacy Apexigen equity holders (4) | 18,151,571 | 84.6% |
| PIPE Investors (5) | 1,452,000 | 6.8% |
| Lincoln Park (6) | 150,000 | 0.7% |
| **Combined Company common stock outstanding at Merger Closing** | 21,445,035 | 100.0% |

(1) Amount reflects the April Partial Redemption and the Closing Redemption. Amount excludes 2,875,000 outstanding Public Warrants issued in connection with the BCAC IPO as such securities are not exercisable until August 28, 2022, the date that is 30 days after the Merger Closing.

(2) The Sponsor holds 1,190,979 shares of BCAC Common Stock, comprised of 1,380,000 Founder Shares and 247,000 shares of BCAC Common Stock issued as constituent securities of the units issued in the Private Placement, net of 436,021 shares forfeited by the Sponsor upon the Closing. This amount excludes 123,500 Private Warrants.

(3) BCAC Underwriter and Certain of Its Employees hold 57,500 shares of BCAC Common Stock.

(4) Amount excludes Combined Company options and warrants exercisable for 3,415,868 and 4,321 shares of Combined Company common stock, respectively, that were issued on conversion of equivalent Legacy Apexigen Options and Legacy Apexigen Warrants with the same terms and conditions, except for adjustment for the Exchange Ratio.

(5) The PIPE Investors purchased units each of which includes one share of Combined Company common stock and one-half of one warrant to purchase Combined Company common stock (each such warrant, a "PIPE Warrant") for $10.00 per unit at the Closing. This amount includes 1,452,000 shares of Combined Company common stock issued to the PIPE investors and excludes 726,000 PIPE warrants issued to the PIPE Investors.

(6) This amount includes 150,000 shares of Combined Company common stock issued to Lincoln Park associated with the financing arrangement upon the Closing and excludes the $1.5 million commitment to issue additional shares of Combined Company common stock, not to exceed 500,000 shares, to Lincoln Park 90 days after the Closing, as well as any draws on the Lincoln Park line.

**Expected Accounting Treatment for the Merger**

The Merger is accounted for as a reverse recapitalization in accordance with GAAP because Legacy Apexigen has been determined to be the accounting acquirer. Under this method of accounting, BCAC, which is the legal acquirer, is treated as the accounting acquiree for financial reporting purposes and Legacy Apexigen, which is the legal acquiree, is treated as the accounting acquirer. Accordingly, the consolidated assets, liabilities and results of operations of Legacy Apexigen have become the historical financial statements of the Combined Company, and BCAC's assets, liabilities and results of operations have been consolidated with Legacy Apexigen's beginning on the acquisition date. For accounting purposes, the financial statements of the Combined Company represent a continuation of the financial statements of Legacy Apexigen with the Merger being treated as the equivalent of Legacy Apexigen issuing stock for the net assets of BCAC, accompanied by a recapitalization. The net assets of BCAC are stated at historical costs and no goodwill or other intangible assets have been recorded. Operations prior to the Merger will be presented as those of Apexigen in future reports of the Combined Company.

Legacy Apexigen was determined to be the accounting acquirer presented based on evaluation of the following facts and circumstances:

- Legacy Apexigen stockholders comprise a majority of approximately 85% of the voting power of the Combined Company;
- Legacy Apexigen had the ability to nominate a majority of the members of the board of directors of the Combined Company;
- Legacy Apexigen's operations prior to the acquisition comprise the only ongoing operations of Combined Company;

- Legacy Apexigen's senior management comprise the senior management of Combined Company;
- The Combined Company has assumed the Apexigen name;
- The ongoing operations of Legacy Apexigen have become the operations of the Combined Company; and
- Legacy Apexigen's headquarters have become the Combined Company's headquarters.

Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial statements are described in the accompanying notes. The unaudited pro forma condensed combined financial statements have been presented for illustrative purposes only and are not necessarily indicative of the operating results and financial position that would have been achieved had the Merger occurred on the dates indicated. Further, the unaudited pro forma condensed combined financial statements do not purport to project the future operating results or financial position of the Combined Company following the completion of the Merger. The unaudited pro forma adjustments represent management's estimates based on information available as of the dates of these unaudited pro forma condensed combined financial statements and are subject to change as additional information becomes available and analyses are performed.

**Unaudited Pro Forma Condensed Combined Balance Sheet**

**As of June 30, 2022**

*(in thousands)*

| | BCAC (Historical) | Apexigen (Historical) | Transaction Accounting Adjustments (Note 2) | | Pro Forma Combined |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 77 | $ 11,644 | $ 51,704 | A | $ 21,722 |
| | | | 14,520 | B | |
| | | | (3,852) | C | |
| | | | (4,294) | CC | |
| | | | (47,214) | E | |
| | | | (863) | J | |
| Short-term investments | — | 9,981 | — | | 9,981 |
| Deferred issuance costs, current | — | — | 1,525 | I | 1,525 |
| Prepaid expenses and other current assets | 43 | 3,378 | (2,241) | C | 1,130 |
| | | | (50) | I | |
| Total current assets | 120 | 25,003 | 9,235 | | 34,358 |
| Property and equipment, net | — | 190 | — | | 190 |
| Right-of-use assets | — | 294 | — | | 294 |
| Investments held in Trust Account | 51,704 | — | (51,704) | A | — |
| Deferred issuance costs, non-current | — | — | 1,525 | I | 1,525 |
| Other assets | — | 331 | — | | 331 |
| Total assets | $ 51,824 | $ 25,818 | $ (40,944) | | $ 36,698 |
| **Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 133 | $ 7,704 | $ (1,337) | C | $ 6,442 |
| | | | (58) | CC | |
| Accrued expenses | 3,639 | 7,497 | 1,500 | I | 9,075 |
| | | | (245) | C | |
| | | | (3,316) | CC | |
| Accrued expenses – related party | 181 | — | (171) | CC | 10 |
| Deferred revenue | — | 4,601 | — | | 4,601 |
| Lease liabilities, current portion | — | 312 | — | | 312 |
| Nonconvertible promissory note | 501 | — | (501) | J | — |
| Convertible promissory note | 362 | — | (362) | J | — |
| Total current liabilities | 4,816 | 20,114 | (4,490) | | 20,440 |
| Derivative warrant liabilities | 14 | — | — | | 14 |
| Total liabilities | 4,830 | 20,114 | (4,490) | | 20,454 |
| Convertible preferred stock | — | 158,707 | (158,707) | G | — |
| Common stock subject to possible redemption | 51,621 | — | (51,621) | D | — |
| Stockholders' equity (deficit): | | | | | |
| Combined Company common stock | — | — | 1 | B | 2 |
| | | | — | D | |
| | | | 1 | G | |
| Apexigen common stock | — | 31 | (31) | H | — |
| Additional paid-in capital | — | 8,853 | 14,519 | B | 178,129 |
| | | | (4,511) | C | |
| | | | 51,621 | D | |
| | | | (47,214) | E | |
| | | | (5,376) | F | |
| | | | 158,706 | G | |
| | | | 31 | H | |
| | | | 1,500 | I | |
| Accumulated other comprehensive income | — | (17) | — | | (17) |
| Accumulated deficit | (4,627) | (161,870) | 5,376 | F | (161,870) |
| | | | (749) | CC | |
| Total stockholders' equity (deficit) | (4,627) | (153,003) | 173,874 | | 16,244 |
| Total liabilities, convertible preferred stock and stockholders' equity (deficit) | $ 51,824 | $ 25,818 | $ 40,944 | | $ 36,698 |

**Unaudited Pro Forma Condensed Combined Statement of Operations**

**for the Six Months Ended June 30, 2022**

*(in thousands, except share and per share amounts)*

| | BCAC (Historical) | Apexigen (Historical) | Transaction Accounting Adjustments (Note 2) | | Pro Forma Combined |
|---|---|---|---|---|---|
| Operating expenses: | | | | | |
| Research and development | $ — | $ 13,113 | $ — | | $ 13,113 |
| General and administrative | 4,140 | 4,124 | — | | 8,264 |
| Administrative expenses - related party | 60 | — | — | | 60 |
| Franchise tax expense | 37 | — | — | | 37 |
| Total operating expenses | 4,237 | 17,237 | — | | 21,474 |
| Loss from operations | (4,237) | (17,237) | — | | (21,474) |
| Other income (expense), net | | | | | |
| Interest income | — | 91 | — | | 91 |
| Change in fair value of derivative warrant liabilities | 41 | — | — | | 41 |
| Net gain from investments held in Trust Account | 73 | — | (73) | **K** | — |
| Interest expense | (8) | — | — | | (8) |
| Total other income (expense) net | 106 | 91 | (73) | | 124 |
| Loss before provision for income taxes | (4,131) | (17,146) | (73) | | (21,350) |
| Net loss | $ (4,131) | $ (17,146) | $ (73) | | $ (21,350) |
| Comprehensive loss: | | | | | |
| Net loss | $ (4,131) | $ (17,146) | $ (73) | | $ (21,448) |
| Other comprehensive loss | | | | | |
| Unrealized loss on marketable securities | — | (13) | — | | (13) |
| Comprehensive loss | $ (4,131) | $ (17,159) | $ (73) | | $ (21,363) |
| Weighted average shares outstanding - Combined Company common stock - basic and diluted | — | — | — | **L** | 21,381,179 |
| Basic and diluted net loss per share - Combined Company common stock | — | — | — | **L** | $ (1.00) |
| Weighted average shares outstanding - Apexigen common stock - basic and diluted | — | 31,425,054 | — | | — |
| Basic and diluted net loss per share – Apexigen common stock | — | $ (0.55) | — | | — |
| Weighted average shares outstanding - BCAC redeemable common stock – basic and diluted | 5,498,978 | — | — | | — |
| Basic and diluted net loss per share, BCAC redeemable common stock | $ (0.57) | — | — | | — |
| Weighted average shares outstanding - BCAC non-redeemable common stock – basic and diluted | 1,684,500 | — | — | | — |
| Basic and diluted net loss per share, non-redeemable common stock | $ (0.57) | — | — | | — |

**Unaudited Pro Forma Condensed Combined Statement of Operations**

**for the Year Ended December 31, 2021**

*(in thousands, except share and per share amounts)*

| | BCAC (Historical) | Apexigen (Historical) | Transaction Accounting Adjustments (Note 2) | | Pro Forma Combined |
|---|---|---|---|---|---|
| Operating expenses: | | | | | |
| Research and development | $ — | $ 21,664 | $ — | | $ 21,664 |
| General and administrative | 411 | 7,293 | 4,294 | **M** | 11,998 |
| Administrative expenses - related party | 110 | — | — | | 110 |
| Franchise tax expense | 82 | — | — | | 82 |
| Total operating expenses | 603 | 28,957 | 4,294 | | 33,854 |
| Loss from operations | (603) | (28,957) | (4,294) | | (33,854) |
| Other income (expense), net | | | | | |
| Interest income | — | 41 | — | | 41 |
| Change in fair value of derivative warrant liabilities | 110 | — | — | | 110 |
| Offering costs allocated to private warrants | (1) | — | — | | (1) |
| Net gain (loss) from investments held in Trust Account | 10 | — | (10) | **N** | — |
| Total other income (expense) net | 119 | 41 | (10) | | 150 |
| Loss before provision for income taxes | (484) | (28,916) | (4,304) | | (33,704) |
| Net loss | $ (484) | $ (28,916) | $ (4,304) | | (33,704) |
| Comprehensive loss: | | | | | |
| Net loss | $ (484) | $ (28,916) | $ (4,304) | | $ (33,704) |
| Other comprehensive loss | | | | | |
| Unrealized loss on marketable securities | — | (7) | — | | (7) |
| Comprehensive loss | $ (484) | $ (28,923) | $ (4,304) | | $ (33,711) |
| Weighted average shares outstanding - Combined Company common stock - basic and diluted | — | — | — | **O** | 21,327,494 |
| Basic and diluted net loss per share - Combined Company common stock | — | — | — | **O** | $ (1.58) |
| Weighted average shares outstanding of Apexigen common stock - basic and diluted | — | 30,901,032 | — | | — |
| Basic and diluted net loss per share – Apexigen common stock | — | $ (0.94) | — | | — |
| Weighted average shares outstanding - BCAC redeemable common stock – basic and diluted | 5,245,890 | — | — | | — |
| Basic and diluted net loss per share, BCAC redeemable common stock | $ (0.07) | — | — | | — |
| Weighted average shares outstanding - BCAC non-redeemable common stock – basic and diluted | 1,646,407 | — | — | | — |
| Basic and diluted net loss per share, BCAC non-redeemable common stock | $ (0.07) | — | — | | — |

## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

### 1. Basis of Presentation

The Business Combination is accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, BCAC, which is the legal acquirer, has been treated as the accounting acquiree for financial reporting purposes and Legacy Apexigen, which is the legal acquiree, has been treated as the accounting acquirer.

The unaudited pro forma condensed combined financial statements are prepared in accordance with Article 11 of SEC Regulation S-X, as amended January 1, 2021. The historical financial information of BCAC and Legacy Apexigen is presented in accordance with U.S. GAAP. Management has made significant estimates and assumptions in its determination of the pro forma adjustments. The unaudited pro forma adjustments represent management's estimates based on information available as of the dates of these unaudited pro forma condensed combined financial statements and are subject to change as additional information becomes available and analyses are performed. The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings or cost savings that may be associated with the Business Combination.

The pro forma adjustments reflecting the completion of the Business Combination and related transactions are based on currently available information and assumptions and methodologies that management believes are reasonable under the circumstances. The unaudited condensed pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available. Therefore, it is possible that the actual adjustments will differ from the pro forma adjustments and that the difference may be material. Management believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination and related transactions based on information available at the current time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination and related transactions taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the Combined Company. They should be read in conjunction with the historical financial statements and notes thereto of BCAC and Legacy Apexigen.

### 2. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Operations

*Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2022*

(A) Reflects the liquidation and reclassification of $51.7 million of investments held in the Trust Account to cash and cash equivalents that becomes available for general use by Combined Company following the Closing.

(B) Reflects the gross proceeds of $14.5 million from the issuance and sale of 1,452,000 units to PIPE investors at $10.00 per unit that are comprised of the issuance of 1,452,000 shares of Combined Company common stock and the issuance of 726,000 PIPE Warrants.

(C) Reflects the direct and incremental cash transaction costs incurred by Legacy Apexigen related to the Merger of approximately $4.5 million for financial advisory, legal, accounting and other fees reflected in the unaudited pro forma condensed combined balance sheet. Legacy Apexigen has reflected the direct and incremental transaction costs related to the Merger as a reduction to the Combined Company's additional paid-in capital. As of June 30, 2022, Legacy Apexigen had deferred incremental transaction costs incurred of $2.2 million, of which $1.3 million was unpaid in accounts payable and $0.2 million was unpaid in accrued expenses.

(CC) Reflects the direct and incremental cash transaction costs incurred by BCAC related to the Merger of approximately $4.3 million reflected in the unaudited pro forma condensed combined balance sheet. As of June 30, 2022, BCAC had incurred and expensed $3.5 million, of which $0.1 million was unpaid in accounts payable, $3.3 million was unpaid in accrued expenses, $0.1 million was unpaid in accrued liabilities - related party, and $0.8 million was reflected as additional accumulated deficit.

(D) Reflects the reclassification of the remaining BCAC Common Stock subject to possible redemption to permanent equity before the Closing Redemption and reclassification of the remaining 442,985 shares of BCAC Common Stock into shares of Combined Company Common Stock on a one-to-one-basis.

(E) Reflects the Closing Redemption, i.e., the redemption of an additional 4,618,607 shares of Combined Company common stock for $47.2 million, allocated to the Combined Company common stock and additional paid-in-capital using par value of $0.001 per share at the redemption price of approximately $10.22 per share.

(F) Reflects the elimination of BCAC's historical retained earnings of $5.3 million and BCAC direct and incremental transaction costs incurred and expensed through the Merger closing of $5.3 million with a corresponding adjustment to additional paid-in capital for the Combined Company in connection with the reverse recapitalization at the closing.

(G) Reflects the conversion of Legacy Apexigen convertible preferred stock into Combined Company common stock upon the Closing.

(H) Reflects the difference in par value between Legacy Apexigen common stock of $0.001 value per share and BCAC common stock of $0.0001 per share. The par value of the Combined Company common stock is $0.0001 per share.

(I) Reflects deferred issuance costs of $3.1 million associated with the Lincoln Park Purchase Agreement that is comprised of the following: 1) $1.5 million that represents the issuance of 150,000 shares of Combined Company common stock at Closing at a deemed price of $10.00 per share, 2) commitment to issue $1.5 million of additional shares of Combined Company common stock ninety 90 days after Closing, subject to a maximum of 500,000 shares, and 3) $50,000 recorded in prepaid and other assets for cash paid to Lincoln Park as of June 30, 2022.

(J) Reflects the promissory notes received by BCAC of $0.9 million from the Sponsor related to the Extension Notes and Working Capital Note during May and June 2022, which the Combined Company repaid upon the Merger closing.

*Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the three-month period ended June 30, 2022*

(K) Represents the elimination of investment income related to the investments held in the BCAC Trust Account.

(L) The calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the Merger occurred on January 1, 2021, and the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares were outstanding for the entire period presented.

*Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2021*

(M) Reflects $4.3 million of BCAC direct and incremental transaction costs incurred and expensed through the Merger closing.

(N) Represents the elimination of investment income related to the investments held in the BCAC Trust Account.

(O) The calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the Merger occurred on January 1, 2021, and the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares were outstanding for the entire period presented.

**3. Loss per Share**

Represents the net loss per share calculated using the historical weighted average shares outstanding and the issuance of additional shares in connection with the Business Combination and related transactions, assuming the shares were outstanding since January 1, 2021. As the Business Combination is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issued relating to the Business Combination and related transactions were outstanding for the entire periods presented. This calculation eliminates the shares redeemed in the April Partial Redemption and the Closing Redemption for the entire period. Basic and diluted earnings per share are the same for each class of common stock because they were entitled to the same liquidation and dividend rights.

The unaudited pro forma condensed combined financial information has been prepared utilizing the following information for the year ended December 31, 2021 and six months ended June 30, 2022 (in thousands, except share and per share data):

| | Year Ended December 31, 2021 | Six months Ended June 30, 2022 |
|---|---|---|
| Pro forma net loss | $ (33,704) | $ (21,350) |
| Pro forma weighted average shares outstanding, basic and diluted | 21,327,494 | 21,381,179 |
| **Pro forma net loss per share, basic and diluted - common stock** | $ (1.58) | $ (1.00) |
| **Pro forma weighted average shares calculation, basic and diluted:** | | |
| BCAC Public Stockholders | 442,985 | 442,985 |
| Sponsor | 1,190,979 | 1,190,979 |
| BCAC IPO Underwriter and Certain of Its Employees | 57,500 | 57,500 |
| Former Apexigen equity holders | 18,034,030 | 18,087,715 |
| PIPE Investors | 1,452,000 | 1,452,000 |
| Lincoln Park | 150,000 | 150,000 |
| | 21,327,494 | 21,381,179 |

The following outstanding shares of Combined Company common stock equivalents were excluded from the computation of pro forma diluted net loss per share presented because including them would have had an anti-dilutive effect for the year ended December 31, 2021 and for the six months ended June 30, 2022:

| | |
|---|---|
| Public Warrants (former BCAC) | 2,875,000 |
| PIPE Warrants (PIPE Issuance) | 726,000 |
| Private Warrants (former BCAC) | 123,500 |
| Stock Options (Legacy Apexigen) | 3,415,868 |
| Warrants (Legacy Apexigen) | 4,321 |
| | 7,144,689 |